Daily Report

Latin America

FBIS-LAT-91-107
Tuesday
4 June 1991

Daily Report
Latin America

FBIS-LAT-91-107 *4 June 1991*

CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

CARIBBEAN

Cuba

Artists Union Reacts to Opposition Statement *[Havana TV]* 1
Escalona Meets With European Parliament Mission *[Havana TV]* 1
CDR's Role During 'Special Period' Discussed *[Havana TV]* 1

Dominican Republic

Editorial on Balaguer's Candidacy in Elections *[Santo Domingo Radio/TV]* 1
* Balaguer Refuses Wage, Salary Increase *[EL NACIONAL 28 Apr]* 2
* Chamber of Deputies To Debate Budget Bill *[LISTIN DIARIO 29 Apr]* 3
* March Revenues Total 635 Million Pesos *[EL CARIBE 30 Apr]* 3
* Onaplan Presents Population Growth Study *[LISTIN DIARIO 29 Apr]* 4

Haiti

Military Unrest in Capital, Calm Restored *[Port-au-Prince Radio]* 4
Shots Fired *[Port-au-Prince Radio]* 5

Trinidad and Tobago

Robinson's Bodyguard Shot During Robbery Attempt *[CANA]* 5

CENTRAL AMERICA

El Salvador

Official Replies to Remarks by FMLN Delegate *[LA PRENSA GRAFICA 3 Jun]* 6
Archbishop on Economic Measures, Peace Talks *[Panama City ACAN]* 6

Nicaragua

* Changes Described One Year After Elections *[Mexico City PROCESO 29 Apr]* 7
* Labor Strikes Affecting Sandinist Popularity *[LA PRENSA 22 Apr]* 9
* FSLN Policy on Nonalignment Analyzed *[EL NUEVO DIARIO 24 Apr]* 10
* H. Ortega's Views on Administration Criticized *[EL NUEVO DIARIO 23 Apr]* 10

Panama

Ford Asks for Constructive Criticism of Plan *[LA PRENSA 31 May]* 11
Intention To Leave Nonaligned Movement Denied *[Panama City TV]* 11
Extradition of Former Legislator Gomez Sought *[Panama City TV]* 11

SOUTH AMERICA

Argentina

Economy Minister Explains National Pension Plan *[Buenos Aires TV]* 12
Politicians Comment on Plan *[BUENOS AIRES HERALD 2 Jun]* 15

Bolivia

Government Concerned Over Chilean Rocket Project *[Buenos Aires TELAM]* 16
Interior Minister on Efforts Against Corruption *[La Paz TV]* 16

Brazil

Collor, Gorbachev 'May Meet' in Sweden *[Asuncion NOTICIAS 31 May]* 16
Iran's Velayati, Delegation Continue Visit 16
Views Hostage Talks *[Asuncion PATRIA 3 Jun]* 16
Conditions for Release Noted *[Belgrade TANJUG]* 17
To Purchase Technology *[Brasilia Radio]* 17
* New Oil Import Contract With Iran Signed *[O ESTADO DE SAO PAULO 1 May]* 17
* Agenor's Role as Collor's Adviser Described *[O GLOBO 5 May]* 18
* Orbita To Close on Completing Current Project *[O GLOBO 28 Apr]* 19
* Increase in Agricultural Production Seen *[O ESTADO DE SAO PAULO 23 Apr]* 19

Colombia

Talks Begin, Government Presents Four-Point Plan *[Bogota TV]* 20
Possible Agenda Noted *[EL NUEVO SIGLO 28 May]* 20
Army Presence Viewed *[Bogota TV]* 21
Extradition Request for Drug Trafficker Denied *[EL NUEVO SIGLO 30 May]* 21

Ecuador

* Castillo on National Liberation Party Goals *[HOY 29 Apr]* 22
* Duran Supporters Seek To Form Political Party *[EL COMERCIO 7 May]* 22
* Creation of 'New Democratic Movement' Announced *[EL UNIVERSO 21 Apr]* 22
* Conflicting Views on Labor Issues Presented *[HOY 5 May]* 23

Peru

Police Capture 'Important' MRTA Leaders *[Lima TV]* 23
Car Bomb Deactivated at Jorge Chavez Airport *[Lima Radio]* 24
Police Use Water Cannon To Repress Teachers *[Lima Radio]* 24
Fujimori on 'Incidents' at Chamber of Deputies *[Madrid EFE]* 24
Superintendency of Banks Closed for Reorganization *[Lima Radio]* 25

Venezuela

* State of Commercial, Service Sectors Reviewed *[NUMERO 12 May]* 25
* AD Internal Machinations, Strategies Viewed *[EL DIARIO DE CARACAS 23 Apr]* 27
* Petroleum Exploration, Investment Liberalized *[NUMERO 12 May]* 29

Cuba

Artists Union Reacts to Opposition Statement

FL0406010091 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 4 Jun 91

[Text] The following is a statement by the National Union of Cuban Writers and Artists [UNEAC]:

Recent news reports have implicated our UNEAC in a statement made public in Miami—where else?—concerning issues of national policy that should be settled by Cuba and in Cuba. Because we are well aware of this, no one can try to teach us from an enemy platform, that our country is facing the responsibility, which cannot be postponed, of improving the revolutionary program in which millions of men and women in the world have placed their hopes.

The outcry by the members of our institution has led us to deny publicly any possible link of the UNEAC with this crudely propagandistic maneuver against the Cuban revolution. Far from seeking a genuine alternative, those who act that way are really cooperating with the aggressors. They are repeating arguments hammered on ad nauseum by the U.S. Government, and they are joining in the constant interference by that government in the internal affairs of a sovereign country.

We Cuban writers and artists demand international solidarity in the face of what, for more than three decades, has been the primary factor causing the economic strangulation of Cuba and that affects the life of our society on all levels: the embargo with which they are trying to strangle our people in order to try, through it, to subvert a revolution whose ideology of social justice and respect for the full dignity of man has been unique in our continent. We defend our reality, and we will continue to fight against whatever makes it impossible to consolidate this reality definitively, and against any attempt to impose a return to neocolonial servility on us from outside.
[Signed]Office of the President of the National Union of Cuban Writers and Artists, UNEAC.

Escalona Meets With European Parliament Mission

FL0406011791 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 4 Jun 91

[Text] The group of European parliamentarians who have been visiting since 1 June, continued their working agenda today in Cuba. Dr. Juan Escalona, the president of the National Assembly of the People's Government, met today with the deputies. Answering various questions, Escalona discussed how the changes in Eastern Europe and the crisis the USSR is undergoing negatively impacts our economy, due to the dependence of our trade on that group of countries for more than 30 years. He also explained the reasons for rationing in Cuba and how state subsidies for all basic products are being maintained.

Escalona stressed we are a part of the Third World that has not received any aid from the industrialized countries, and he invited the deputies from those nations to analyze their countries' discriminatory trade treatment that is detrimental to Third World economies, and translates into ever greater poverty rates. Among other activities, the European parliamentarians have scheduled tours of the Pan-American Games construction projects and visits to the country's scientific centers.

CDR's Role During 'Special Period' Discussed

PA0406014691 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 2 Jun 91

[Text] A new election and work organization process within the Committee for the Defense of the Revolution [CDR] began on 15 April, based on the elimination of tasks and the reduced number of cadres at the national level.

CDR National Coordinator Division General Sixto Batista Santana has referred to the role of CDR members in the current phase of our revolution.

[Begin General Batista recording] One of our objectives is to strengthen our organization from the rank and file, because we know from experience that when there are good rank and file leaders, things go well. [end recording]

Speaking at a municipal assembly in San Antonio de los Banos in the province of Havana on the implementation of new structures, methods, objectives, and work styles in the CDR, Batista Santana stressed the importance of completing the organization's tasks, maintaining revolutionary vigilance, and defending our ideology.

[Begin General Batista recording] If the milk arrives at 1100 or 1200, do not blame it on imperialism, and do not say there was no truck or fuel available, because if the truck arrives at 1100, there is no reason why it cannot arrive at 0800. In other words, sometimes this can be due to negligence. There are those who are trying to take advantage of the problems we are facing during this special period to upset the people. We must also be aware of this and keep CDR leaders well informed, so that they in turn will inform the party and the government of the problems they are facing. That is where our struggle should be. At each work site, each revolutionary must try to be as efficient as possible. [applause] [end recording]

Dominican Republic

Editorial on Balaguer's Candidacy in Elections

FL3105193691 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 31 May 91

[Station editorial: "Balaguer's Mystique and Ideology"]

[Text] An open controversy in Dominican political circles continues with questions regarding Dr. Joaquin Balaguer's candidacy in the 1994 elections. This happens

while the most outrageous individuals launch empty warnings and [words indistinct] cheap predictions on conditioned abstentions if Balaguer returns to the elections arena. The country is aware and in a position to ponder on the best options for the Dominicans, and are observing the reality objectively.

Of course, the chief of state, after 60 years of his apostolic dedication to the best causes of the Republic, has the undeniable right to retire honorably, to get his deserved rest. Nevertheless, the Republic knows that the presence of the distinguished ruler in leading the national future is a key for the preservation of the achievements made during his mandate.

For the [words indistinct] of the cheapest opportunists, who thrive in the lower factions, to speak of coward abstentions or use insulting words against the administration in an attempt to deny the numerous significant achievements made to the country by the consecrated dedication of President Balaguer, is understandable.

This explains that while Joaquin Balaguer leaves the permanent mark of a pseudo-providential of [word indistinct] projects throughout the land, while Joaquin Balaguer turns the dream of a better country into a splendid reality under the basis of beautiful material accomplishments such as schools, hydroelectric power plants, canals, and highways; the criticisms of a cheap political sector becomes fiercer. This does not edify, does not build, and its limitations force them to permanently sow hatred.

Balaguer will once again be on the electoral ballots, as long as he has enough strength to dedicate to the fatherland he has made greater and dignified with his generous efforts. Balaguer will be a continuous command option as long as the nation needs an enlightened view and as long as there are no solid and viable options for a competent replacement in the political arena. The negative opposition needs to be patient. Happily, there is no better alternative. Balaguer, yesterday; Balaguer, today; Balaguer always.

* Balaguer Refuses Wage, Salary Increase

91CA0127E Santo Domingo EL NACIONAL in Spanish 28 Apr 91 p 5

[Article by Jesus Galan and Luis Cespedes Pena]

[Text] In Puerto Plata yesterday, President Joaquin Balaguer, stating that he is prevented from doing so by the negotiations in which the country is engaged with a view to reaching an agreement with the International Monetary Fund, repeated that, for the moment, he cannot approve any wage and salary increases.

The president responded in these terms to a question put to him by Tomas Aquino Mendez, of RADIO MIL INFORMANDO, during the ceremonial inauguration of a thermoelectric plant in that city. The plant was built by the government with financing by local businessmen.

President Balaguer's statement puts a further damper on the possibilities of a solution of the crisis that began with the turning over of the running of the hospitals by the Dominican Medical Association [AMD].

The government has refused to increase the salaries of doctors, nurses, laboratory technicians, engineers, agronomists, and professionals in other sectors, even though such an increase has been urged by many sectors, including the Catholic Church and the businessmen of Herrera.

The National Council of Businessmen is one of the few sectors opposed to a general wage and salary increase, arguing that it would be like "throwing fuel on an almost extinguished fire." The reference is to the current inflationary process.

Dr. Altagracia Guzman Marcelino, president of the AMD, for her part, warned that Association members will refuse to collect their paychecks unless these include the salary increase they are demanding of the government.

Last Friday, Dr. Guzman Marcelino rejected the labeling of medical doctors as "loafers and corrupt" by the secretary of public health, Dr. Manuel Bello, adding that Dr. Bello lacks the moral qualifications to speak on the issue.

The secretary, for his part, stated that conditions in the public hospitals have improved, as evidenced by a decrease in the number of deaths, since military doctors have staffed the medical centers.

But reporters of this newspaper who have visited the hospitals have found that they are deteriorating for lack of doctors, since the military doctors only handle a small number of emergency cases.

Another factor that has exacerbated the hospital crisis is the lack of medicaments, compelling the patients to buy them.

The AMD is demanding, as its second grievance, that the hospitals be provided with medicaments, equipment, and expendable supplies, and has warned that, even if doctors' salaries are increased, the doctors will not return to the hospitals if these demands are not met.

Patients interviewed by EL NACIONAL's reporters state that doctors do not make rounds, and that some patients are having to leave the wards in which they are bedridden, to send for the medicaments prescribed.

The National Association of Professionals and Technicians, considering that the fight being waged by the professionals is justified and that it merits favorable action by the government, has resolved to back their salary demands unanimously.

* Chamber of Deputies To Debate Budget Bill

91CA0127A Santo Domingo LISTIN DIARIO in Spanish 29 Apr 91 p 1-D

[Article by Maximo Manuel Perez]

[Text] This week, the Chamber of Deputies will take up the budget bill for the current fiscal year.

Speaker of the Chamber Norge Botello (PLD-DN [Dominican Liberation Party-National District]) has indicated that the budget bill submitted by the executive branch on 31 March will be put on the agenda for next Wednesday's session.

The deputies had exhausted part of the August 1990 legislative period and an extension of almost two months without reaching agreement on the budget, the original amount of which was the record sum of 10,530,165 [as published].

The opposition blocs had proposed and introduced a motion calling for emendations that would raise the total of the bill by more than 1.8 billion pesos, mainly to increase wages and salaries throughout the public sector.

This proposal created a deadlock when the Christian Social Reform Party [PRSC], after consulting its leader, President Joaquin Balaguer, rejected those modifications and moved instead to pass the bill exactly as submitted by the executive branch.

The two positions stiffened to the point where it became impossible for the Chamber of Deputies to render one or the other of them viable. In March, to circumvent the paralyzing effect the impasse was having on the remainder of the Chamber's legislative calendar, Speaker Botello introduced a Reformist proposal to postpone action on the bill, sine die, so as to try and find a negotiated solution.

Now, four months into the current fiscal year, the Chamber proposes to again take up the budget bill.

The Bill

The bill allocates domestic resources to expenditures totaling 7,939,833,503 pesos, of which 6,081,863,325 pesos are to be financed through the "General Fund of the Nation," and the remaining 1,857,970,78 [as published] pesos through the Special Fund.

Foreign resources are quantified at 2,310,696,660 pesos.

First Quarter

Central government revenues during the first quarter of this year have totaled 2,028,783,479 pesos, according to a report by the National Budget Office [Onapres].

In January, revenues totaled 752,372,262 pesos; in February, 656,963,371 pesos; and in March, 665,181,694 pesos. Revenue figures for the current month have not been released yet by Onapres.

Definitive Budgetary Action

When the budget bill is returned to the agenda, the deputies will have two options: They must either reject it or pass it.

According to informed sources, it is with this intent that Speaker of the Chamber Norge Botello plans to put the bill, after its having been pigeonholed for four months, back on the agenda.

* March Revenues Total 635 Million Pesos

91CA0127B Santo Domingo EL CARIBE in Spanish 30 Apr 91 pp 1, 6

[Text] The country's domestic revenues during March totaled 635,272,906 pesos, and included sums on the scale of millions covering allocations to the agricultural and livestock, irrigation, potable water supply, energy, public health, and public education sectors.

A report by the National Budget Office [Onapres] states that during this period, revenues from foreign sources, devoted to investment expenditures, amounted to 2,645,448 pesos.

Investment excluding foreign funds totaled 328,323,274.58 pesos, according to the report, the complete text of which follows:

"The National Budget Office, with the intent of keeping the public duly informed concerning the flow of funds comprising State Revenues and Expenditures during March 1991, hereby publishes the following details relating to the mentioned month's budgetary activity:

"As the reader will appreciate, the policy of the present administration headed by President of the Republic Dr. Joaquin Balaguer, with respect to the disbursement of public funds, is to accord due primacy of priorities to the agricultural and livestock, irrigation, potable water, energy, monetary, health, and education sectors.

"Given the prevailing circumstances in the Republic at this time, and given the inescapable need to accord such priority to all that concerns agriculture and livestock, supplies of potable and irrigation water, energy, the demonetization plan, payment of the public debt, and to the public's health and the educational system's requirements, all as a conglomerate of public interests, it is imperative that the Central Government exercise the utmost diligence in the implementation of the budget.

"It must also be made clear, however, that, notwithstanding the imperative consideration the defined priorities deserve, the Central Government, far from neglecting the other fundamental aspects of the public administration, also takes these into consideration, and adopts the measures most conducive to finding the most appropriate solutions to problems.

"Domestic revenues during the period indicated amounted to 635,272,906 pesos, while revenues from

foreign sources, dedicated to investment expenditures, came to 2,645,448 pesos. Investments exclusive of funds from foreign sources totaled 328,323,274.58 pesos.

"Disbursements to the agricultural and livestock, irrigation, and energy sectors totaled 156,813,417.08 pesos. In particular, the National Institute of Water Resources [INDRHI] received 48,116,666.66 pesos for construction and supervision of the Jiguey-Aguacate dam and the Sabaneta project, and for the construction of canals and the repair and maintenance of other dams.

"The Dominican Electricity Corporation [CDE] received appropriations in the amount of 50 million pesos to cover several commitments and for the Power System Rehabilitation and Distribution project.

"The Dominican Agrarian Institute [IAD] received 4,748,398.33 pesos for the execution of several projects and the funding of several agricultural programs, while the Special Fund for Agricultural and Livestock Development [FEDA] received 1,052,160.20 for intensification of its programs in support of agricultural production and other uses related thereto. The Cruz de Manzanillo project received 2,148,490 pesos for the sowing of various farm crops; and 20.5 million pesos were allocated to the Secretariat of State for Agriculture to foment and increase agricultural production. The Agricultural Bank received 25 million pesos for loans to small rice producers and the funding of other agricultural programs.

"The Institute of National Potable Water and Sewer Systems received 15.5 million pesos for the implementation of various projects.

"The Dominican Republic's central bank received 38 million pesos under the demonetization plan and 45 million pesos for payments on the public debt. The Santo Domingo Waterworks and Sewer Systems Corporation received 30.2 million pesos for construction of the Valdesia-Santo Domingo aqueduct.

"The Secretariat of State for Public Works and Communications received appropriations in the amount of 64,037,445.53 pesos; the State Public Works Supervisory Engineers Office received 27,663,716.86 pesos; and the State Public Works Coordinating and Auditing Office received 6.9 million pesos for the execution of projects and programs of social and economic interest throughout the country, such as housing, airports and ports, free-trade zones, waterworks, sewer systems, highways and local roads, and the maintenance of streets and historical monuments."

* Onaplan Presents Population Growth Study

91CA0127C Santo Domingo LISTIN DIARIO in Spanish 29 Apr 91 pp 1, 15

[Article by Maximo Ml. Perez]

[Excerpt] The National Planning Office [Onaplan] has announced that the Dominican Republic's population will reach an estimated total of 7,320,096 inhabitants this year, 1.6 million of whom will constitute the group most vulnerable to the effects of current austerity measures.

Onaplan emphasizes that the government, through the proposed Social Emergency Fund [FES], intends to provide assistance to more than 1.6 million children below the age of five, the elderly, and women of child-bearing age—in sum, the groups most affected by the austerity measures.

According to an Onaplan report, such a fund "would provide support for measures and projects designed to improve the living conditions of these most vulnerable groups."

In its bulletin "Population Report," Onaplan states that the groups most vulnerable to the socioeconomic policy's negative effects are children under five, women between the ages of 15 and 49, and all persons over 65.

"The Dominican Republic's utterly poor inhabitants comprising these three groups total an estimated 1,634,880 persons, or 22 percent of the total population, estimated at 7,320,096 inhabitants for 1991."

As a financial institution, the FES would support operations and projects intended to better the living conditions of the most vulnerable groups.

Of the three mentioned population groups, women of child-bearing age make up the largest number, or 59.8 percent; children under five the second largest, or 32.1 percent; and the elderly, aged 65 and up, 8.1 percent.

The measures to be supported by the FES would concern mainly these groups and others that might be in a situation of poverty. The FES would be a combined effort by the government, churches, private organizations, cornerstone groups, and unions. [passage omitted]

Haiti

Military Unrest in Capital, Calm Restored

FL0306231191 Port-au-Prince Radio Metropole in French 1600 GMT 3 Jun 91

[Text] Calm has returned to the Petionville Barracks where the soldiers staged a mutiny this morning and demanded the dismissal of Captain Leandre. Many shots were fired and the Kenscoff Road was blocked. By 0900 this morning, President Aristide, accompanied by his prime minister, was there. After first talking with the military men in charge and then the mutineers, President Aristide left the Petionville Barracks with Captain Leandre. He promised that no transfers or sanctions would be taken against the mutineers and traffic returned to normal on Kenscoff Road.

Another mutiny was staged at the Army Transportation Service. After some shooting, the situation is calm. There is no more shooting and several tap-taps [public transport] are moving about outside the Army Transportation

Service, where the military had been shooting. We learned that a delegation from military headquarters plans to negotiate with them. What do they want?

[Begin recording] [Unidentified soldier] The soldiers from the 43d Company have been divided into two groups. Both receive money for expenses. When we asked for money, he [not further identified] told us we want to take care of our own business. We know we have to care about the matters of the state but we need to care for our families too. He is always holding us up to ridicule.

[Reporter] Who is he? Is he Colonel Carenard, the commander of the Transportation Service?

[Unidentified soldier] This morning, we realized that we can no longer tolerate it. Every day we struggle. He tries to hold a conference, but we ignore him. We are tired today and we want the president or the Army High Command to come and talk to us so that we can obtain the resignation of Colonel Carenard.

[Reporter] Calm has returned to the corner of Jean Jacques Dessalines Boulevard and Delmas Road. The soldiers are back in their barracks at the Transportation Service. They are waiting for someone to come and talk with them. Traffic is back to normal but people are standing by awaiting further developments in this second situation. [end recording]

Shots Fired

FL0306212391 Port-au-Prince Radio Metropole in French 1600 GMT 3 Jun 91

[Report by Mobile Unit 19—live]

[Excerpt] [passage omitted] [Reporter] The traffic is blocked at Main Street between Delmas Road and Jean Jacques Dessalines Boulevard, where soldiers from the Transportation Service of the Haitian Armed Forces are firing shots into the air. We do not know why. This has created a panic in the area. The road is virtually blocked at this time. We are going to ask one of the soldiers why this activity is taking place in the area. We must say the traffic is impassable from Rue Saint Martin to the intersection at the Aviation Building.

Gentlemen, please tell us for Radio Metropole why you are doing this?

[Unidentified soldier] You may come inside. We need to say what we have to say inside.

[Reporter] You can say it here and now because we are broadcasting.

[Unidentified soldier] Well, we have problems. We have problems especially with [words indistinct]. We need the president for many reasons. The president knows that we need him to come to us here. [stammers] We have problems with Commander Philippe Carenard. He is a man who will never be right. We need the president to come and put things right. It seems that I have heard a rumor that Leandre [not further identified] shot at a soldier. This causes a big problem.

[Reporter] When will this activity cease?

[Unidentified soldier] What? Well, we do not know yet when [words indistinct].

[Reporter] Those were the statements made by a soldier in the area. You have heard. They said no activity will be made in the area if the problem is not solved for the moment. [sentence as heard] We are going to enter the Transportation Service building to find out what is going on. They are protesting against something that we do not quite understand. We are entering the Transportation Service building now. We are going to get more information on the cause of what can be called a new mutiny in the capital. More details will be given in a few minutes.

Trinidad and Tobago

Robinson's Bodyguard Shot During Robbery Attempt

FL0306130491 Bridgetown CANA in English 1151 GMT 3 Jun 91

[Text] Port of Spain, Trinidad, June 3, CANA—Trinidad and Tobago police were on Monday continuing inquiries into the weekend shooting of Assistant Superintendent of Police Stanley Fergusson, the main bodyguard of Prime Minister Robinson.

According to police, an intensive investigation was launched to find two men, one of whom allegedly shot Fergusson in the leg during an apparent robbery attempt at his home on Sunday morning.

Reports said two masked men, armed with cutlasses and a shotgun, broke into the Fergusson's house at Curepe, east of Port of Spain and demanded money and other valubales.

Police said that after the scuffle the men fled in a waiting car driven by a third man.

El Salvador

Official Replies to Remarks by FMLN Delegate

PA0406022791 San Salvador LA PRENSA GRAFICA in Spanish 3 Jun 91 p 77

[Report by Alba Elsi Lizama]

[Text] Caracas, 2 Jun—In reply to Farabundo Marti National Liberation Front [FMLN] delegate Jorge Shafik Handal's remarks that the government delegation has proposed "more than 40 amendments to a UN document on the Armed Forces, a move that entails backing down" from the government's position, Colonel Mauricio Ernesto Vargas, deputy chief of the Joint Staff, has said that the negotiating process has reached its final stage and that the government delegation never intends to retreat.

Col. Vargas said that the government delegation came to Caracas determined to reach and sign agreements, but that the delegation found the FMLN "intransigent, inflexible, and unwilling to sign accords that would lead to peace in El Salvador."

Concerning the document, Col. Vargas said that the amendments proposed by the government are only "changes in wording," which do not affect the nature of the points discussed by the two delegations.

He denied that the government's proposals slowed the negotiations. Quite the opposite is true, he said. It was the FMLN that stopped all progress in the talks by bringing up the disbanding of the Salvadoran Army, a point that had already been discussed.

He said that the changes proposed by the government are "of form rather than substance" and designed to meet legal requirements. He described Handal's accusations as "naive and deceitful" and held Handal responsible for the escalating violence that has been the scourge of the country since the first communist uprising in 1932.

According to the officer, "the escalating violence that has disrupted legal order started in 1932. The acts of violence have now turned into terrorism. Handal is a leader of the Communist Party and knows this perfectly well."

On the existence of the Armed Forces, Vargas said that this point is covered in Article 211 of the reforms agreed upon in Mexico City and approved by the previous Legislative Assembly in a document that assigns permanence to the Armed Forces. "We are not in a position to discuss the elimination of the Armed Forces at present or in the future. Handal's accusation that the government is delaying the negotiations is simply unfounded."

Vargas pointed out that the FMLN wants to complicate the negotiations with discussion of this point, but that the longer it takes to reach and sign accords, the higher the political and military price the FMLN will have to pay.

Making an assessment of this round of talks in Caracas, Col. Vargas asked that it not be considered a failure, because some progress was made in some fields and that it should be borne in mind that negotiating is a cumulative process.

He said finally that "accords will be reached" in the next round of talks, where both sides will have to assign priority importance to the interests of the Salvadoran people.

Archbishop on Economic Measures, Peace Talks

PA0306170391 Panama City ACAN in Spanish 1806 GMT 2 Jun 91

[Text] San Salvador, 2 Jun (ACAN-EFE)—Today, the Salvadoran Catholic Church criticized the neoliberal economic plan promoted by President Alfredo Cristiani's government, which has "dismissed many" state workers and prevented the achievement of a "just social peace."

In his Sunday homily, Monsignor Arturo Rivera y Damas, archbishop of San Salvador, said that the talks in Caracas between the government and the guerrillas to attain peace in that small Central American country immersed in a war that has lasted 11 years and has caused more than 75,000 deaths, "have advanced slowly."

Rivera y Damas said that the economic and social policy implemented by the government in January 1990 "does not seem clear." He stressed: "I believe that solidarity with the poorest sectors has been weak."

"People have a right to earn their bread by their work. A society in which this right is systematically denied and where the economic policies do not permit satisfactory employment levels, cannot progress and enjoy a just social peace," Rivera y Damas said.

The Salvadoran rightist government is promoting a neoliberal economic plan that reduces government expenses, eliminates import taxes, increases utility rates, and devalues the currency, among other things.

Last week, labor unions protested the dismissal of 25,000 workers in the public and private sectors and a 300 percent increase in the price of staple products.

Rivera reminded the government that "the peace we are seeking calls for the implementation of a new form of social coexistence," through a "broad" consensus among all political and social groups in the country around "the nation's most noble interests."

In regard to the peace process between the Farabundo Marti National Liberation Front (FMLN) and President Cristiani's government, Rivera y Damas said that "there has been no backing out" as the guerrillas claim. On the contrary, he said "there have been slow advancements."

He clarified that during this round of talks "there will be no significant political agreement" on a cease-fire, which

is one of the most sensitive topics being discussed by the parties with UN mediation. Nevertheless, he added that those agreements will be reached "sooner or later, because the peace process is irreversible."

Rivera y Damas expressed optimism about the upcoming arrival of a UN mission to verify respect for human rights, stating that "this could bring some improvement" in that area.

On 21 May, the UN Security Council decided to send a mission of observers to verify—first-hand—compliance with the agreements on human rights signed between the government and the FMLN on 26 July 1990 in Costa Rica.

The observer mission, known as Onusal, [UN Observers for El Salvador], will be comprised of 28 policemen and 15 military liaison officers.

Nicaragua

Changes Described One Year After Elections

PAC 801398 Mexico City PROCESO in Spanish No 756 29 Apr 91 pp 40, 43-44

[Article by Francisco Ortiz Pinchetti]

[Excerpts] Managua—The flame that burned for a decade, day and night, at the monument to Carlos Fonseca Amador, founder of the FSLN [Sandinist National Liberation Front], has gone out.

Cesar Augusto Sandino International Airport is still called Cesar Augusto Sandino, but his name has been erased from the front of the main building of the air terminal. Nor does the Sandinists' red and black flag continue to wave alongside the nation's blue and white banner.

Brown and yellow paint will now cover forever the hundreds of square meters of murals done on city walls by national and foreign artists under the Sandinist government.

Ruben Dario People's Theater has taken back its original name, the Ruben Dario National Theater. The bust of Panamanian General Omar Torrijos, friend of the Nicaraguan revolution, has disappeared from the Plaza of the Nonaligned.

No longer can the legions of internationalists, with their red and black neckerchiefs, their backpacks, and scruffy look, be seen in the streets of Managua or its cafes, restaurants and cultural centers. In contrast, flocks of "plastic children" jam the exclusive bars and few discotheques we have here or screetch around in fancy cars imported from Miami.

Some things have changed in Nicaragua. Others have not.

The general look of the capital city, like that of Leon, Chinandega, Rivas, Masaya, Jinotepe, Granada, and other cities in the interior, remains the same. People continue to pile into heavy trucks and rickety old pickups used as buses for urban transportation. Managua's main market, the Oriental, is one enormous bazaar, dirty and disorganized. There is a supply of many products that once were scarce, but no money to buy them. Ruins from the 1972 earthquake that destroyed the heart of the city are still there. Poor barrios with dirt streets still await basic services. Hawkers and dollar changers proliferate. Many walls still carry 1990 election slogans.

With the celebration on 25 April of exactly one year under the government headed by Violeta Barrios de Chamorro, an ambiguous atmosphere of relief and desperation prevails. The end of the war also brought an end to tension, but a worsening of the economic crisis has overwhelmed most of the population. Unemployment grows by the day. Wages have dropped in real terms, while inflation runs rampant, paradoxically enough, turning Nicaragua into the most expensive country in Central America.

The presence of uniformed soldiers in the streets has visibly declined, but at every traffic light in the city, drivers are assaulted by dozens of peddlers and pests, particularly raggedy children.

Moreover, national reconciliation is still no more than an aspiration. Bitterness between Sandinists and rightists—and between factions within the two groups—is strong, endangering the precarious political stability achieved by this long-suffering country of 3.5 million inhabitants. Wounds irremediably caused by the revolutionary process and which appeared again in last year's election campaign remain like open sores.

Ambrose's Rifle

Aside from the fundamental fact of the pacification of the country and beyond puerile attempts to "erase" any vestiges of Sandinism, expectations of change roused by the change in government in 1990 have had scant fulfillment.

The shock economic program just put into effect by the Chamorro government contains very little that is original. Already in 1988, the Sandinists had unsuccessfully embarked upon a similar project. Foreign aid is still a pipedream. In the political sphere, the Sandinist National Liberation Front is still present in various forms in the leadership of the country. It still controls the Armed Forces and National Police as well as the most powerful trade union and farm organizations. The government takes its central decisions to FSLN leaders for discussion and consultation and the latter approved an Agreement on Concerted Action with the regime in October. [passage omitted]

Managua, with its 890,000 inhabitants, has over a quarter of the country's population and thus all manner

of urban problems, which have worsened this past year: unhealthy conditions, garbage, uncontrolled settlement.

The lack of basic services affects two-thirds of all capital residents. Between February 1990 and April 1991, the number of spontaneous settlements (slums) doubled, going from 150 to over 300. "There are new ones every day," Bonilla says.

The district coordinator accuses Sandinist employees of the previous government of "boycotting" the new administration in the early months. "They concealed information from us, hampered us instead of helping us," she says.

This delayed projects originating in the mayor's Office, she says, projects that also depended on foreign financing. Revenue obtained from taxes barely covers administrative costs.

The ruins of houses and buildings in the downtown area damaged by the 1972 earthquake still define Managua. Abandoned by their owners, these useless structures have been invaded by homeless families. Some 2,000 persons remain there, living in deplorable conditions and in danger of their lives. Another 1,000 have now been moved to other areas through a project financed by international aid. Every family was given a lot and basic materials to build its own home: a wooden structure, zinc sheet metal roofing, and a bag of nails.

Nicaragua, Little Nicaragua

On the main thoroughfares of Managua, one is beginning to see spectacular advertising by companies that sell cars, computers, or services for industry. A few new supermarkets have also been opened in residential zones, mainly supplied with imported goods. Video stores are popping up.

And yet, the telephone system is practically unusable. It has deteriorated to such a point that it is beyond repair, admits the Nicaraguan Telecommunications and Mail Institute (Telcor). The entire system will have to be replaced. Just to install a new system in Managua will require an investment of over $10 million.

There are no public telephones in the city. Public fax service was initiated a scant three weeks ago. Nor are there postage stamps. A stamp is placed on the envelope instead.

Traffic lights are turned off at 2200 "to conserve energy." Electricity is rationed twice a week by zone. The gas shortage that occurred a year ago is over, but the price has gone up to the equivalent of $2 a gallon (about 1,600 Mexican pesos a liter). It is sold by Esso and Shell gasoline stations.

And yet, after an absence of 11 years, Nicaragua again participated in the Miss Universe contest, and the Miss Pacific event, in which young women from throughout the country will participate, is now being organized.

Nicaraguans continue to be as passionate about baseball as they are about politics—or more! The country seems to shut down when the final series of the Pomares national championship begins. In Managua alone, six different radiobroadcasting stations transmit the same game simultaneously.

Radio is naturally the most up-to-the-minute reflection of the times in Nicaragua, not only because of an unusual proliferation of broadcasting stations that came about with the change in government—the number rose from five to 18 in one year for AM alone—but because the medium is used by all the political factions that coexist. Sandinists, the far left, the government, the moderate right, the radical right, the Church, and Protestant sects all have their own station. There is obviously no censorship.

Worthy of note is Radio Corporation, which takes the rabidly anti-Sandinist line of Vice President Godoy, but which is second to none in criticizing the Chamorro Government. In addition to its ostensibly biased radio-newspapers, it devotes space to raging commentaries against former president Daniel Ortega and against the current minister to the presidency, Antonio Lacayo. There is a special program on which students condemn their Sandinist teachers!

In contrast, Radio Ya and La Primerísima are radically Sandinist, much more so than the now relatively moderate Radio Sandino, official station of the FSLN.

Radio Nicaragua is the official voice of the government. Radio El Pensamiento opposes Violeta's "collaborationist" government. Radio Catolica supports the president in addition to broadcasting the Holy Rosary every afternoon at six on the dot.

They all have one thing in common: They broadcast the latest music, most of it imported from Mexico.

Television is another story. There are only two channels, one of them with national coverage. The government's Channel 6 bases its programming on Mexican and Brazilian soap operas, American series, and caricatures. It broadcasts mass every Sunday and, on paid time, two Sandinist programs: "Vistazo semanal" [A Look at the Week] and "Extravision." "The only thing we do not broadcast is anything that offends morals, good behavior, and human dignity," says Ismael Recinos, the station's programming director.

Channel 2, leased to its former owner, is practically a rebroadcaster of programs originating in Miami.

Three daily newspapers are published here, all three in the hands of President Chamorro's immediate family. LA PRENSA, which she owns, is headed by her daughter Cristina. BARRICADA, a Sandinist organ, is headed by her son Carlos Fernando. EL NUEVO DIARIO, spokesman for the most radical Sandinism, led by Tomas Borge, is owned by her brother-in-law, Xavier Chamorro.

The Color Violet

In this country, where polls revealed their inefficiency vis-a-vis the 1990 elections, daily newspapers continue to resort to opinion polls to support their respective editorial lines. On the occasion of the first anniversary of the government of Violeta Chamorro, both LA PRENSA and BARRICADA published the results of polls entrusted to specialized organizations.

The poll done by the United States Information Agency (USIA) and the Venezuelan Doxa at the request of LA PRENSA found that 77 percent of all Nicaraguans look favorably upon Violeta's presidential performance, signifying a noteworthy increase in her popularity.

The poll by the Institute of Nicaraguan Studies sponsored by BARRICADA emphasizes that 40.4 percent of those interviewed think the country's economic situation is worse today than a year ago, while 51.6 percent think the government has not carried out the change it proposed.

President Chamorro's personality daily provides unusual elements for Nicaraguan political folklore. One example was the president's reaction during an interview she held in her office with leaders of the Salvadoran FMLN [Farabundo Marti National Liberation Front], an anecdote she herself confirms.

Violeta noted that one of the buttons on Major Joaquin Villalobos' jacket was about to come off. "I'll sew it back on for you," she said, whereupon she got a needle and thread out of her desk and set about the task while giving maternal advice to the Salvadoran guerrillas.

Violeta did indeed send condolences to FMLN leaders—with whom Minister Antonio Lacayo met in Mexico—"following the death of Major Antonio Cardenal," who died in El Salvador two weeks ago. The guerrilla leader was the Nicaraguan president's nephew by marriage.

She herself recently tells the story that when she arrived at the presidential mansion a year ago, she found that the only furniture the Sandinists had left behind was four rocking chairs...inted violet. "It shocked me," she said. "It is true that I like the color violet, but I took that as a taunt."

She made a formidable blunder on Wednesday, 24 April, when she greeted Venezuelan President Carlos Andres Perez at the airport. In reading her welcoming speech, Violeta praised Carlos Andres' contribution "to the people's anti-Sandinist...excuse me, I mean anti-Somocist, struggle."

While such juicy things go on here, international interest in Nicaragua, which captured world attention a year ago, declines inexorably. The "political tourism" that brought foreign exchange into the country has come to an end. According to International Press Club records, the number of foreign correspondents here has dropped from 135 to 50 in just a year. Every three days, a newsman packs his bags and says "Adios" to Nicaragua.

* Labor Strikes Affecting Sandinist Popularity

91CA0137A Managua LA PRENSA in Spanish 22 Apr 91 p 4

[Text] We have no idea how long the people's patience will last. Today, LA PRENSA's phones rang off the hook all day long with calls from students and parents protesting because a group of teachers with no conscience are trying to ruin our young people's education with one more strike, this time shutting down the schools and universities.

Pity the poor, long-suffering Nicaraguan people!

One day they stopped the buses and destroyed them. Thousands of people are desperate and sick unto death of trying to find ways to get to work or go to the market or wherever they have business and have to see to their needs. Scarcely had the transportation problem been settled—and badly—when another strike, another shutdown, was organized, this time involving the hospitals, where children lie dying, old people get worse, operations are complicated, and so on. What hellish type of morality do the strikers have if not even the death or sickness of their own people stops them? Is this so-called "socialist" solidarity?

No sooner had the hospitals gone back into operation when they closed customs, paralyzing thousands of businesses, industries, vendors, travelers with luggage held up, poor people who lose their meager investments, and so on. But for the morality taught by the Sandinists, of what significance is a poor vendor or traveler or little business that is ruined?

Finally and with great difficulty, customs are opened, but before people have even finished tallying up their losses, the barbarians are back in the streets, hitting the people where it hurts the most. They declare another strike. This time it is the banks that are closed. So what about the poor people who come from the INSSBI [Nicaraguan Institute of Social Security and Welfare] to try to cash their little checks? They can just keep them! So what if they go hungry! If children had to die when they closed the hospitals, why should bank employees be worried about a few thousand poor people who were going to fast during Holy Week? The other employees who were going to collect their wages do not matter either! If the grocery stores do not trust them, what do the striking bank workers care? After all, they are the best paid employees in Nicaragua! Did our readers know they used money from the banks to order their lunches brought in from the best restaurants, while the rest of the people soaked up the sun and fasted waiting to cash their checks?

But it gets worse: In every point of the program, Front strikers not only demonstrated their monstrous egotism, ignoring the most vital needs of the people, but embellishing their strikes with shameful mischief: during the transportation strike, damaging buses; during the hospital strike, watching unmoved as innocent children

died; during the bank strikes, destroying furniture like savages. After all, to whom does that furniture belong? Who uses it? It is to serve the Nicaraguan people, to give comfort, efficiency, and convenience to the people! But what of it? Destroy it!

We understand why the people use strong language when they call on the phone. Never had such a thing happened in Nicaragua! We have been invaded by a group of barbarians organized and led by someone in order to launch, one after the other, dirty wars, destructive, depressing battles to worsen the people's misery. During the bank strike, our readers said: "They must already be planning the next strike, or rather, their new way of hitting the people where it hurts the most!" And they were not wrong. Now that the banks are open, they want to close the schools, destroy the education of poor students who were cannon fodder for Sandinism for so many years. Parents are furious—and rightly so!—about this attack on their children, but there is no way to avoid the truth: The better the Sandinists are treated, the harder they kick!

The result of this policy is that Violeta Chamorro's popularity rating has risen in the latest polls. One has but to stop on any street corner and listen to what the people say about Sandinism in order to understand that while in the past the Front got 40 percent of the votes, the figure now is less than 15 percent. Rarely have we seen a more perfect technique for putting an end to a party or rather, for burying a dead person, because there has not been a single strike that has not hit the people where it hurts the most.

And why does Daniel Ortega, so civilized that he traveled all the way to Iraq to propose a peace plan that was laughed at, not take pity and propose a peace plan here so the Front will cease its war of strikes against the people?

* FSLN Policy on Nonalignment Analyzed

91CA0137B Managua EL NUEVO DIARIO in Spanish 24 Apr 91 p 4

[Commentary by Manuel Eugarrios]

[Text] One little word is used in both the draft statutes and proposed principles of the FSLN [Sandinist National Liberation Front] which, in the opinion of the social democratic Sandinists who agree on the "changes" brought about by the Stalinist collapse in East Europe, no longer has any raison d'etre or historic validity in view of the present or future.

The term in question is in fact the—until only a few months ago—controversial and hotly debated "nonalignment" with any power or bloc of imperialist powers, a term Sandinism had taken up as one of its basic political principles and even incorporated as a permanent precept in the constitution we promulgated in 1987.

It is a fact that here, bourgeois interests in both camps have recently and very obstinately maintained, among other lofty ideas, that the class struggle is already an obsolete hypothesis, that we have to stop being anti-imperialist because Yankee imperialism has practically disappeared, or that we must at least find new concepts or theories on imperialism.

In short, this is how neoliberals and social democrats argue: If Yankee imperialism no longer exists or is manifested as such, and if the power of the Eastern Stalinist bloc and its vanguard the USSR have collapsed and are rebuilding their economies and ideological principles based on the parameters of the Western world, what reason or validity could there be in including nonalignment in the principles and statutes?

Such reasoning seems logical because, in truth, if the two enormous political blocs that had divided up the world and exercised their ironclad hegemony over their respective parcels have disappeared, and if, from now on, their relations are to be cordial and almost idyllic, there is no longer any reason or motive for talking of political nonalignment either in party documents or constitutions.

And, naturally, if all the existing worlds are alike, identical, or at least similar in their programs and economic methods and even their ideological principles, there is no longer any reason to state in FSLN statutes that it "is a revolutionary and anti-imperialist party."

This must be so because neoliberal bourgeois logic tells us that, along with the end of ideologies and history, no revolutionary—much less anti-imperialist—parties—can or must exist on earth, inasmuch as there is no one to wage revolution against. Nor do imperialist powers of any type exist.

Consequently, the desire of Sandinist social democrats—and hopefully it will be fulfilled—is that such anachronistic concepts and principles as revolutionary, anti-imperialist nature, nonalignment, and, God forbid, the obsolescent class struggle should be eliminated from party documents!!!

And yet, even if they do call us hackneyed, ahistorical, romantics, or senseless idealists, there are still many Sandinists who continue to believe in such principles and will staunchly defend them.

* H. Ortega's Views on Administration Criticized

91CA0137C Managua EL NUEVO DIARIO in Spanish 23 Apr 91 p 4

[For related reporting on this issue see FBIS-LAT-91-072 and FBIS-LAT-91-076]

[Text] The statements made by General Humberto Ortega to Mario Vazquez Rana, published in the Mexican daily EL SOL DE MEXICO and reprinted in Nicaragua by EL SEMANARIO, have roused the most lively comments and diverse, conflicting opinions, some emphasizing the fact that the former member of the Sandinist DN [National Directorate] is shooting off his

mouth and has now lost the equanimity and political moderation that characterized him throughout his brilliant career as a revolutionary soldier.

What is in fact striking about the interview in question is not so much the content of the arguments or the positions taken—which are actually intereting—but rather, the enthusiastic and frankly apologetic language used by Ortega in referring to the government and those leaders who suit him the best and with whom he gets on the best, personally speaking. Nor should this right be denied him, inasmuch as he is the master of his actions and their consequences, if only because of the basic consideration he should show to Sandinism and the "most impoverished sectors of my country" with which he claims to identify and which are the ones suffering the rigors of the government to which he belongs and which he serves.

The fact is that the language he uses is in contradiction with his dignity and prestige as a hero and strategist, his democratic-revolutionary political past, his membership in the most consistent and decisive left of this country, the firmness of a Sandino or a Carlos Fonseca. Some of his words betray a political "identity" that frankly was not his, one not in keeping with his personality. Indeed, one has the impression he is involved in an ideopolitical process other than the one that distinguished and dignified him throughout his fruitful life.

Nor is anyone asking him to speak the language of an opposition Sandinist, of an official leader of the FSLN [National Sandinist Liberation Front], for he has a delicate and singular function within the current government to which it is constitutionally due. Rather, the issue lies elsewhere, in a basic duty to the Sandinism to which he belonged and presumably still belongs, at least until he publicly resigns from it. He would do well to bear this in mind because political language is often a forerunner to attitudes bordering on opportunism or defection, which we hope and believe is not the case.

Panama

Ford Asks for Constructive Criticism of Plan

PA0306145191 Panama City LA PRENSA in Spanish 31 May 91 p 32a

[Article by Vilma E. Figueroa B.]

[Text] Guillermo Ford, second vice president and minister of planning and economic policy, believes that there is a lot of "ignorance and speculation" from some groups who critizice the government economic plan, and added that these groups "have not recommended any alternatives."

In reference to the criticism related to the reverted [Canal] area, Ford pointed out that a program is about to be completed to open a public bid, which will allow the development of an integrated plan, "because it would be irresponsible to begin to give away, misappropiate, distribute or improperly use that land."

Ford also said that it would be irresponsible to try to improvise upon the intended use of that land.

The economic plan was presented 16 days ago, but since then it has been seriously criticized by some management groups, professional associations, and political organizations who do not agree with the elimination of the quota system, tariff decreases, reform of the social security laws, opening the markets to foreign products, and privatization plans, among other things.

Vice President Ford said that even though the plan is already under way, and it will continue to be used, it is important that truly constructive criticisms, suggestions, and recommendations be brought forward as he is aware that the economic plan is complex.

On the other hand, in reference to the recently approved 13th month bonus bill for public employees, Ford said that even though he respects the wishes of the public employees who deserve the bonus, there are several priorities that the people are demanding. Therefore, it is important to accelerate the infrastructure work and utilize our resources more rationally.

Intention To Leave Nonaligned Movement Denied

PA0106023791 Panama City Circuito RPC Television in Spanish 2300 GMT 31 May 91

[Text] The government denied that Foreign Minister Julio Linares recently told Argentine Foreign Minister Guido di Tella that Panama is interested in leaving the Nonaligned Movement, as reported this week in the Buenos Aires media.

A Foreign Ministry communique said that, on the contrary, Linares said that di Tella is aware of Panama's interest in strengthening the Nonaligned Movement and in giving it a new direction in agreement with the ideals under which it was founded in 1961.

Extradition of Former Legislator Gomez Sought

PA0306174891 Panama City Circuito RPC Television in Spanish 2300 GMT 31 May 91

[Text] The Panamanian Government today requested from the Cuban Government the extradition of former legislator Luis "Lucho" Gomez, a close associate of Manuel Antonio Noriega. Gomez reportedly arrived in Cuba three weeks ago.

The Foreign Ministry reported tonight that the extradition request was delivered to Arnaldo Molina Perez, Cuban charge d'affaires in Panama. In addition, the Foreign Ministry said that the former legislator is being investigated for the disappearance of student Rita Wald in 1977.

Argentina

Economy Minister Explains National Pension Plan

PY0306030091 Buenos Aires Argentina Televisora Color Network in Spanish 2330 GMT 31 May 91

[Address to the nation by Economy Minister Domingo Cavallo in Buenos Aires on 31 May—recorded]

[Text] Fellow countrymen: I am addressing you—on the express instructions of the president of the nation—to explain what the government can do to honor the legitimate demands of retirees and pensioners. Before turning to that subject, allow me to refer briefly to the development of the stabilization program we implemented on 1 April.

The end of the month figures bring good news. In May, as was the case in April, we surpassed the customs and social security collection goals. Since expenditures did not surpass our projections, the fiscal surplus, before paying internal and foreign interest, is higher than estimated. That allows us to cover the deficits of several public enterprises, especially SEGBA [Greater Buenos Aires Electrical Services] and the State Water and Power Enterprise. Those enterprises' deficits are larger than those estimated in the 1991 budget. In sum, I can assure you that the performance of our fiscal accounts permits us to honor the austral convertibility commitment, which is the key to the stabilization plan.

We continue our daily efforts to further improve the fiscal situation by incorporating resources obtained from the sale of state-owned assets and the privatization of public enterprises. In June we expect to collect $600 million for the YPF [Government Oil Deposits] central oil prospecting areas. As a result, all our fiscal accounts for the April-June quarter, including all payments of interest on internal and foreign debts made during this period, will be balanced. In other words, we have made good progress and hope do even better in handling our budget, which, without a doubt, has a decisive role in any stabilization plan.

I would now like to refer to a matter of concern to all families: the situation of the pensioners. We all know that the money a pensioner currently collects is a meager amount that does not even satisfy the most essential needs.

The minimum pension, 1.2 million australes, is 20 percent less than the average pension for the past seven years and the average pension, approximately 1.5 million australes, should be twice that amount in order to equal 82 percent of the average salary of workers. That percentage, which should be the case for every pensioner and which would undoubtedly be extremely fair if it could be honored, presents our society with a comprehensive economic problem that has no immediate solution and can only be solved in the future if we act in a realistic, responsible manner.

So that each and every one of you may have a clear idea of the comprehensive problem we are facing, I will start mentioning overall instead of individual figures.

In May, the national pension funds had to pay 3 million pensioners; at a rate of 1.5 million australes each, which is the average pension. That represents a total expenditure of 4.5 trillion australes. Moreover, the pension funds made contributions to PAMI [Comprehensive Medical Assistance Plan] totalling approximately 200 million australes, disbursed 100 million australes for court claims, and 200 million australes for administrative and judicial expenses. As a result, total expenditures for May came to approximately 5 trillion australes.

During May, the social security system's revenues from contributions and from the percentage of the fuel tax earmarked for pension funds amounted to approximately 5 trillion australes. Thus, we managed to practically cover a deficit that, in December 1990, stood at 20 percent of the system's payments. The social security deficit was eliminated thanks to the large increase in revenues since March 1991, when the struggle against tax evasion was stepped up.

Recently, several judges handed down jail sentences for businessmen and professionals who evaded employer contributions and forged certificates of deposit with the social security system. To gain their freedom, these people had to post hefty bonds. The struggle against tax evasion will be further intensified.

If, beginning in June, we decided to do two things that the retirees demand—pay monthly pensions based on the nominal 82 percent set by law and honor the debt accumulated by pension funds as a result of paying retirees only half of what they were supposed to receive—the social security system's monthly outlay would rise to at least 15 trillion australes; that is, three times the outlay in May. That would mean taking in 5 trillion australes and paying out 15 trillion australes, resulting in a deficit of 10 trillion [as heard] per month, half of the country's total tax revenues, customs fees, and social security fees.

If we decided to finance such a deficit by printing new australes—violating the new convertibility law—we would have instant hyperinflation, such as in mid-1989 and early 1990. Of course, if we decided to incur such a deficit and provoke hyperinflation, the retirees would be the first people to be hurt. We have irrefutable evidence of that, which should certainly be remembered. In July 1989, when inflation stood at 200 percent per month, the minimum retirement pay—which is 1.2 million australes today—had fallen to nearly 400,000 australes in terms of constant purchasing power; that is, one-third of the low level that is causing concern today.

It is clear that the decision to pay pensions as the law establishes and to honor the accumulated debt, thus incurring a deficit and money printing, would have terrible consequences for the entire population of the country and particularly, for the retirees themselves. The

Menem government, therefore, rejects that kind of decision. To understand what can responsibly be done to begin resolving the grave problem of the retirees, it is necessary to talk very frankly about the claims against the pension funds adjudicated by the courts, whose settlement is stridently demanded by the people who have occupied Lavalle Plaza in front of the court building.

Allow me to first tell you our conclusions and then to explain. If the government granted the request for it to begin paying the claims adjudicated to the 8,000 retirees who won suits and refused to accept the compromise plan —such as those who occupy Lavalle Plaza— approximately 10 percent of what is currently allocated to retirement pay each month would have to be diverted for that purpose. The cost of honoring the adjudicated claims increases so much—from 100 billion [as heard] australes to nearly 500 billion australes if the 8,000 claimants who are not being paid are added—because those who did not accept the compromise plan are the biggest claimants.

Now, in addition to these adjudicated claims, 55,000 claims are still pending and could soon generate further settlements against the pension funds to the tune of 1.5 trillion australes. As soon as the new claims are paid, it would be necessary to divert not just 10 percent of the pension funds, but 30 percent of the total. Even then, it would not solve the problem of the remaining nearly 3 million retirees who, being claimants as legitimate as those who filed the court suits, would not have their rights recognized merely because they did not go to lawyers to initiate suits against the state.

To pay the adjudicated claims and those that could be adjudicated in the coming months would have at least three very negative effects: First, it would reduce the proportion of resources available for current pensions to just 70 percent of the current level, forcing pensions to be reduced by 30 percent or pension funds to incur major deficits with the resultant inflationary effect. Second, it would be unfair to the group of retirees who did not file court suits, including those who, having opted for regulations set forth in Decree 648, dated 1987, have forsworn their right to file suits to have their assigned pensions and transportation allowances reviewed. It would drive other retirees to initiate court suits as the only means to reassert their rights. Third, a large proportion of the resources of pension funds ultimately disbursed to pay claims adjudicated against them would not go into retirees' pockets, but to pay lawyers' fees.

There are other reasons that make it advisable to think of a completely different solution. Most of those who filed suits against the state, especially those who have already had their claims adjudicated, are the biggest claimants and the sums adjudicated to them are, in many cases, astonishing to say the least. In the case of the Industry and Commerce Pension Fund, 12 percent of the adjudications—which represent 40 percent of the amounts involved—order the payment, in each case, of over $100,000. Have you heard that well?—$100,000; that is, 1 billion australes or the equivalent of 800 minimum pensions per beneficiary. Some adjudications surpass $1 million; that is, 10 billion australes, which is equivalent to more than 8,000 minimum pensions for a single person. In one case—no doubt, the most striking—the adjudication set a retirement pension of $17,000 per month; that is, 174 million australes per month, the equivalent of 150 minimum pensions per month for a single individual.

Among 10,000 cases of claimants who, having won their suits, accepted the compromise plan of a 40 percent reduction and payment in 15 installments, which are being paid every month, there are 25 cases in which installments of between 100 and 280 million australes will be paid next month; that is, between 80 and 200 minimum pensions per beneficiary, per month. The first two payments to the 10,000 beneficiaries who accepted the compromise plan went to the lawyers handling their cases. The lawyers received no less than $20 million. So, it can be seen why lawyers, not necessarily retirees, are present in the demonstrations at Lavalle Plaza and in front of Congress.

At this point you should ask yourselves: What is the solution then? We have been working to find a solution and today we are sending Congress a bill on consolidation of the national debt, which, in the executive branch's view, is the most equitable solution of all possible solutions. On passage of this bill, all adjudications as well as all compromises made by the government for obligations prior to 1 April 1991—that is, prior to promulgation of the austral convertibility law—will have a declarative character and will be consolidated, accruing a market interest and collectible by the beneficiary in a maximum period of 16 years.

To meet those obligations, Congress will appropriate budget funds each year, but the claimed debts will have precedence in payment. Retirees will have first priority; that is, they will be able to collect before any other creditor, but only up to an amount equal to one year of minimum pensions for each retiree. If resources in the first year are not sufficient to meet the demands of all retirees who apply for payment, a precedence for payment will be established on the basis of age; that is, the older retirees will be paid first, and so on down the line.

To collect state debts exceeding the equivalent of 12 minimum pensions, claimants will have to wait until the completion of payments following the order of precedence established by the law. In that case, there will be an alternative to voluntarily subscribing to 16-year maturity bonds amortizable monthly as of the seventh year. The bonds will have several alternative applications, such as payment of any debt overdue or refinanced prior to 1 April 1991 that the bond holder has with the state, except with the General Tax Directorate or the Customs Directorate; partial payment for the purchase of assets of state or public enterprises by the subscriber or any

secondary holder of the bond; and finally, cancellation of employer social security contributions that were due prior to 1 April.

The alternative applications for the national debt consolidation bonds, which can be subscribed to by retirees who hold claims against the retirement funds—not only those who have adjudications in their favor, but also all other retirees who should ask, through administrative channels, for recognition of debt in their favor—will allow original subscribers to negotiate the bonds on the market or deposit them in banks, which will pay interest. The banks will be able to lend them to those who are debtors of the social security system or who want to buy government assets with such bonds.

In short, congressional approval of the bill on national debt consolidation and its subsequent implementation as law is the only reasonable method we could design, on one hand, equitably to meet the legitimate demands of retirees who hold claims, adjudicated or pending, against the retirement funds or retirees who have or have not filed court suits, because everyone has that right—and on the other hand, to ensure that compliance with adjudications does not use up the resources of the social security system and that the payment of current pensions can proceed regularly.

Overdue debt is, however, only one of the problems. Another problem is the current level of pensions, particularly, the minimum pensions, which should be increased so retirees can live on them decently and so the same debts are not accumulated in the future as in the past. As I have already explained, it is impossible to think of immediate payments of 82 percent as provided for by Law 18037 because to do so, it would be necessary to double the revenues of the social security system.

There are, however, a series of measures that the government has already set forth that will allow an increase in resources available for payment of pensions. The tax reform bill, which has already been submitted to Congress, as well as the bill on employment, which is going through the Chamber of Deputies, will stimulate the incorporation of workers into the social security system. Today, only 5.2 million workers out of 10 million employed people have joined the system; that means going from a current ratio of less than two contributors per beneficiary to a potential ratio of over three contributors per beneficiary.

Moreover, the emphasis on the struggle against the evasion of social security fees will make possible a gradual and steady increase in social security revenues. The president of the nation, conscious of the retirees' urgent need, has asked us to seek, in addition to solutions for the future, solutions with a more immediate effect. For that purpose, we have prepared, with the labor and social security minister, a bill to generate more resources for the social security system and reduce outlays; in that way, there can be a margin for improving pensions. This bill, which will be sent to Congress on 3 June 1991, seeks: First, the allocation, as financing for the social security system, of a five-percent contribution from payrolls that is currently channeled to Fonavi [National Housing Fund] and the allocation to Fonavi of fuel tax revenues that up to now were earmarked for pension funds. The change, which will maintain the same level of resources for Fonavi, will imply an important boost for the social security system because, given the emphasis we are putting on curtailing evasion of social security contributions, the potential for increasing social security fee revenues for the benefit of retirees is considerable.

Second is the allocation of 10 percent of value added tax [IVA] revenues to pension funds, with authorization for the executive branch to increase that tax up to two points if necessary. We believe that with the increase the IVA is currently registering, the allocation of 10 percent of that tax to pension funds will not represent a reduction in funds collected in July when compared to May. Should that reduction occur, the central government will assume the responsibility of raising the IVA rate as much as is strictly necessary so that neither the provinces nor the Treasury take a loss. Third is the elimination of so-called privileged retirement programs.

If Congress should approve the two bills—the tax reform bill and the employment bill—the executive branch estimates that in June, overall revenues for the social security system can be increased by at least 1 billion australes per month. That will allow pensions to increase by 300,000 australes as of 1 July. The executive branch has already adopted measures to ensure that all retirees and pensioners drawing minimum benefits will receive a bonus along with the June benefits and will receive a raise with the July benefits provided the laws on national debt consolidation and on modification to financing of the social security system are passed in June.

The law on national debt consolidation is necessary to secure resources because, otherwise, the adjudicated claims will activate embargoes on the regular resources for pension funds, and with those resources embargoed, there will not be sufficient funds to pay normal pensions. The executive branch will also authorize any additional increases resulting from distributing among the retirees 100 percent of the revenues above the 1 billion australes necessary to pay the minimum increase of 300,000 australes per beneficiary. Future increases will be granted by percentages in order not to depress the pension structure and to be able to move toward strict compliance with Law 18037, which provides for mobile payments of 70 to 82 percent. Of course, it will take quite some time to attain that objective. We cannot lie and say that it will be attained in a few months.

Each of us has parents or grandparents who are retirees or pensioners and no one needs to be told of the anguish experienced by those senior citizens who have dedicated their lives to working and who, in many cases, cannot afford to buy their medicine now. I only want to convey to you the assurance that President Menem and each of his cabinet members will do their best to ensure that

society does not continue depriving them of what they are rightfully entitled to. But, we cannot lie to them: To pay them what the state owes them or the pensions through the simple method of printing money and not trying to raise genuine resources through the struggle against evasion would cause great harm to all workers and to the retirees as well.

Rest assured that our effort to explain the true situation in as detailed a manner as possible and our attitude of facing up to the entire political cost of consolidating our economic stabilization and stimulating our economic recovery is a sincere contribution to the well-being of each Argentine. That may not be so clearly perceived today, but we expect it will be clearly noticed by our grandparents, parents, and children in a future that we hope is not too far away. Thank you very much.

Politicians Comment on Plan

PY0306154091 Buenos Aires BUENOS AIRES HERALD in English 2 Jun 91 p 4

[Text] (DYN)—The government's attempt to silence the growing chorus of complaints from retired people over the level of pensions by offering a 30-dollar bonus on July's payment provoked a range of responses yesterday, in the main critical.

While pensioners continued to protest outside the Economy Ministry building in Buenos Aires, Pensioners' Coordinating Board head Julio Libermann described the government's proposal as "a trick," since the payment will not actually be made until August.

On top of the short-term palliative of the 300,000 austral bonus, the government is also planning to pay off some of the debts it owes to pensioners through so-called "consolidation" bonds, which mature in 16 years, and begin to pay coupons from 1998.

Libermann called this proposal "a bloody joke," and suggested that "they are waiting to pay us until we are six feet under." He has announced that on Wednesday [5 June] the pensioners will stage a protest against the government's plans in front of Congress House, and that tomorrow they will discuss the possibility of taking legal action against the state.

Carlos "Chacho" Alvarez (Justicialist-Federal Capital), a member of the dissident "Group of Eight" Peronist deputies, also saw the announcements made by Economy Minister Domingo Cavallo on Friday night as a joke, but claimed that the pensioners would not see its funny side since "not only will (the bonus) not improve their situation, but it's going to exasperate them still further."

According to Chacho, the government's pension plans "point up the social irresponsibility of a policy which, by stressing the closing of the fiscal accounts above all else, ignores the real situation of the people." He went on to argue that "this way the Menem administration is going to buy stability at the cost of the social annihilation of millions of Argentines who are living below the poverty line."

Liberal deputy Adelina D'Alessio de Viola (UCeDe [Democratic Center Union] - Federal Capital) declared that "the bonus comes to less than the cost of the ties worn by the officials who are proposing this policy." A further aspect of the government's plans is the cancellation of privilege pensions, handsome handouts paid to public officials on retirement regardless of age. D'Alessio de Viola has already renounced her right to draw such a pension.

Intransigent deputy Oscar Alende, hoping to make some political capital out of the unpopularity of the latest policy, advised pensioners to punish the government by voting against them. "The people must use their only weapon, the ballot paper, to repel Cavallo's policy," he declared.

There were also expressions of concern over the proposals from within the peronist rank, with Senator Liliana Gurdulich (Justicialist-Santa Fe) admitting that "nobody, not even the government, thinks that the bonus is enough." But she defended the announcement on the grounds that "nothing else was possible, given the fact that the state is bankrupt."

United Left deputy Nestor Vicente described the bonus as "really miserable," and the plans in general as "immoral."

For Trotskyist deputy Luis Zamora the bonus is "ridiculous" and the decision to pay off the pension debts with government bonds "breaks the world record for cynicism." Zamora yesterday outlined an alternative manifesto of policies to solve the pension situation, suggesting progressive taxes on capital and income for "the 200 most powerful companies in the country," the scrapping of the 30,000 privilege pensions, the immediate payment of all the state's debts to pensioners, the suspension of service payments on the foreign debt and the establishment of a minimum pension of four million australs.

Saul Ubaldini, secretary general of the CGT [General Confederation of Labor]-Azopardo opposition labour grouping, yesterday rejected the 30-dollar bonus offer, and claimed that "it is immoral to exchange economic stability for the poverty of old people."

Interestingly, one of the more positive assessments of the Cavallo plans came from ex-President Raul Alfonsin, who on Friday described the bonus payment as "a step forward," and the consolidation bonds as "interesting."

Meanwhile, the Buenos Aires City Council announced that the 60,000 pensioners under its jurisdiction will be paid 10 percent increase on their May pension.

President Carlos Menem, has ordered that medical facilities be provided for the group of pensioners who for the past 55 days have been protesting against the government's treatment of retired people in front of the Courts Building.

The other important aspect of the government's plans is the proposal to take 10 percent of value added tax revenues and the five percent of income that employers

pay to the FONAVI [National Housing Fund] housing fund and divert these to pension funds.

Bolivia

Government Concerned Over Chilean Rocket Project

PY0306151091 Buenos Aires TELAM in Spanish 0237 GMT 3 Jun 91

[Text] La Paz, 2 Jun (TELAM-EFE)—The Bolivian Government today expressed its concern over Chile's plans to manufacture the new "Lightning" rocket because the weapon will create a military imbalance in the region and because it works against the peace processes under way in Latin America.

"Bolivians do not understand this urge to engage in a senseless arms race because all Latin American countries are involved in the peace process," Bolivian National Defense Minister Hector Ormachea has said.

On 29 May, a source in Santiago announced the construction—with the support of a British enterprise—of the 160-mm "Lightning" surface-to-surface rocket with a range of 40 km. The weapon could possibly be guided remotely.

The Bolivian minister noted that he did not understand "why Chile wants to build expensive weapons just as world tension is easing and peace among nations is being promoted." He added: "The new missile will create a military imbalance and could cause increased military spending in the region, which will use up funds that should be dedicated to the health, education, and transportation sectors."

Bolivia and Chile broke diplomatic relations in 1978 after failing to settle a border dispute pending since Bolivia lost its Pacific coastline territory in a war in which it fought with Peru against Chile.

Interior Minister on Efforts Against Corruption

PY3105124091 La Paz Television Boliviana Network in Spanish 0200 GMT 30 May 91

[Text] In light of the case involving former Lieutenant Orlando Candia, Interior Minister Carlos Saavedra Bruno has reported that measures will be adopted against police officers involved in drug trafficking.

[Begin recording] [Saavedra] We may find out, much to our sorrow, that some police officers are directly involved in drug trafficking. I say much to our sorrow because we are talking about an institution that deserves our greatest respect, an institution that is made up of more than 17,000 people. The behavior of some officers is tarnishing the image of the police. I believe that the police command's decision to analyze special cases in which some police officers may be involved and to discharge them and place them at the disposal of the courts, is an important step toward improving the image of the police, which has already begun to improve.

[Reporter] Mr. Minister, there have been many comments and in some cases even speculation, and we do not.... [changes thought] Regarding the list of 40 high-ranking police officials involved in corruption that the U.S. Embassy allegedly has: Has your office made any effort to request information (?or names) from the U.S. Embassy?

[Saavedra] I would not say that we are pursuing that objective; we have not done that. The police themselves have taken action in many departments. If you talk with the police commander, he will tell you that there has been a purge of more than 20 policemen, some of them of high rank, including general commanders of some departments, who have been.... [changes thought] I don't know whether some of them were discharged from duty or placed at the disposal of the police.

Therefore, regardless of the existence of lists, the police themselves took concrete measures on the issue. I believe the police are doing their work. This should be stressed, not only because of what the police are doing, but also because of what the courts are doing with this issue [end recording]

Brazil

Collor, Gorbachev 'May Meet' in Sweden

PY3105135191 Asuncion NOTICIAS in Spanish 31 May 91 p 18

[Text] Brazilian Foreign Minister Francisco Rezek has reported that President Fernando Collor de Mello may meet with Soviet President Mikhail Gorbachev next week in Sweden.

Collor will travel to Sweden on 2 June to attend ceremonies commemorating "World Environment Day."

On this occasion, Collor will invite Gorbachev to attend the 2d UN "Environment and Development" Conference (Eco-92) to be held in Rio de Janeiro in June 1992.

Iran's Velayati, Delegation Continue Visit

Views Hostage Talks

PY0306141891 Asuncion PATRIA in Spanish 3 Jun 91 p 3

[Text] Brasilia (ANSA)—Iranian Foreign Minister 'Ali Akbar Velayati, speaking at a news conference today, discarded the possibility of his country participating unilaterally in initiatives aimed at arranging the release of the 10 Westerners held hostage in Lebanon by pro-Iranian factions.

Velayati said: "It is necessary for all the countries with influence in the Middle East to conduct a joint effort to achieve the release of the hostages held in the region."

He added: "Iran is willing to participate in an international effort to release all the hostages."

Noting that "Lebanon [as published] holds four Iranian citizens and a diplomat hostage and Israel is also holding 400 Lebanese citizens hostage," Velayati said: "The first thing the United States should do is begin negotiations with Israel for the immediate release of the hostages."

Velayati also said: "My government will not change its death sentence on writer Salmon Rushdie" for writing *Satanic Verses*, which is considered offensive by the Islamic regime.

He added: "That sentence was issued by 1 million Muslims from 46 countries during an Islamic conference in Riyadh."

Regarding the 22 [number as published] Iraqi airplanes that landed in Iran during the Persian Gulf war, Velayati said: "They will only be returned to Iraq after the United Nations makes a decision on the issue."

Velayati also said: "Iraq is creating insecurity in the region." He rejected any political change which would lead to a greater tension in the area." [no opening quotation mark as published]

Velayati, who today concluded a two-day visit to Brazil to evaluate bilateral political and economic relations, added: "In addition to creating problems for neighboring countries, Iraq is contributing to insecurity in the entire region."

Velayati said: "Iran believes that the security of the Middle East should be maintained by the countries of the region through frank discussions, as we have stated on several occasions."

Regarding the Iraqi invasion of Kuwait, Velayati said that it was a cruel and violent action and that "an unknown number of people were murdered, while many others sought refuge in southern Kuwait and Iran."

Responding to another question, Velayati said: "To achieve political stability in the region, it will be necessary to find a solution to the Palestinian problem."

Velayati concluded by saying: "We reject, however, any efforts toward political changes which would increase tension in the region, which should be avoided at any cost."

Conditions for Release Noted

LD0106125391 Belgrade TANJUG in English 1110 GMT 1 Jun 91

[Text] Brasilia, June 1 (TAP)—Iranian Foreign Minister 'Ali Akbar Velayati said Friday in Brasilia that his government would request the release of Western hostages being held in Lebanon when the United States intercedes with Israel to obtain the release of 400 Lebanese nationals being held in Israel.

Washington has said it would renew its relations with Iran provided the eight Western nationals being held hostage in Lebanon by pro-Iranian organizations are released.

Iran is not responsible for what happens in other countries, Velayati said at a press conference.

As the United States is asking our help for the release of Western hostages, the Lebanese are asking us to intervene for the release of the hostages being held in Israel, Velayati said at the end of his two-day working visit to Brazil.

To Purchase Technology

PY0106233091 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 1 Jun 91

[Text] Brazilian businessmen will help rebuild Iran, which was destroyed in the war against Iraq. The Iranians are mainly interested in Brazilian infrastructure technology.

According to Brazilian Foreign Minister Jose Francisco Rezek, Iran plans to spend over $12 billion in rebuilding the country. Brazil is a member of the group of countries which will take part in the project to rebuild Iran.

In view of this and with the purpose of strengthening bilateral political, economic, and industrial ties, Infrastructure Minister Joao Santana will leave on 4 July for Tehran on an official three-day visit. Santana will head a delegation consisting of 20 Brazilian businessmen representing the capital goods and services sectors.

Foreign Minister Rezek explains in which areas Iran wants to invest:

[Begin Rezek recording] Basically, Tehran is interested in the infrastructure sector. Throughout his stay, Iranian Foreign Minister Velayati stated several times that they are interested in large-scale services; large-scale construction projects, such as the installation of power generators; [word indistinct] of natural resources and the local highway system. [end recording]

Up to now, Iran has purchased a total of $425 million in Brazilian products, such as soybeans and sugar, while Brazil has imported Iranian oil totaling $440 million.

* New Oil Import Contract With Iran Signed

91SM0309C Sao Paulo O ESTADO DE SAO PAULO in Portuguese (Economic Section) 1 May 91 p 8

[Text] Rio—Petrobras [Bazilian Petroleum Corporation] has signed a new oil import contract with Iran, establishing for the first time a clause to protect both countries from sharp fluctuations in the price of crude oil on the international market. The new agreement provides for the purchase of 100,000 barrels of Iranian oil per day and was announced yesterday by Mauricio Alvarenga, Petrobras' director of marketing, who engaged in direct negotiations to establish the new bases for the contract, which is in effect until June of this year. He believes that until May, at least, the nation will benefit from the price-protection clause, inasmuch as a drop in the price per barrel is forecast.

Petrobras expects prices to remain low in June despite the meeting of OPEC. Last year Petrobras spent $4.3 billion (1.1 trillion cruzeiros) on oil imports—an increase of $800 million (208 billion cruzeiros) that was caused by Iraq's invasion of Kuwait.

According to Alvarenga, the formula that insures protection of the price per barrel of oil purchased from the Iranians is similar to the "trigger" established by the Collor administrations's economic team for readjustment of the minimum wage. Under this formula, if at the time the oil is shipped to Brazil the price is higher than the average for the month of April, Petrobras will pay the difference, calculated on the basis of the quantity already established. If the reverse is true, the Arabs [as published] are committed to reducing their prices.

Petrobras' director of marketing also said that the agreement for the purchase of 9 million barrels by June was signed only after three days of intensive negotiations with the executives of Iran's state petroleum enterprise. Although he did not reveal any purchase prices—by decision of the Iranians themselves—Alvarenga declared that they will remain in line with the prices on the international market. Iran is the second largest supplier of oil to Brazil, being surpassed only by Saudi Arabia, which sells 120,000 barrels per day of crude to Petrobras.

* Agenor's Role as Collor's Adviser Described

91SM0309A Rio de Janeiro O GLOBO in Portuguese 5 May 91 p 4

[Text] Brasilia—To an extent that not even the "wizard" Golbery do Couto e Silva was for Generals Ernesto Geisel and Joao Figueiredo, nor that the "thermometer" Ivan de Souza Mendes was for Jose Sarney, General Agenor Homem de Carvalho—at the end of one year in the government—is emerging as one of the most powerful men at Planalto Palace by virtue of his work as the president's "right-hand man." Even his closest friends have been surprised at the power exercised today by this soft-spoken, affable, polite 58-year-old who is somewhat averse to politics.

Agenor has not become a political spokesman for the government. His strength resides instead in his position as Collor's confidant, reinforced by the lack of appetite for political matters on the part of the secretary general of the Presidency, Ambassador Marcos Coimbra, whose personality is unsuited to relatively "tough" assignments.

Not having the status of cabinet minister that his predecessor, Bayma Denis, enjoyed, Agenor took over a Military Household that lacked the power and attributions it had possessed under the Jose Sarney administration. This did not prevent him from becoming the mediator in some of Collor's most important political disputes, from becoming directly involved in the episode of the dismissal of the directors of the INSS [National Social Security Institute] and the selection of their replacements, and from accompanying the president on all of his trips. Moreover, he accomplished this without neglecting his specific functions as chief of the Military Household, such as selecting Collor's guests for the ramp ceremony and providing for the president's personal security.

Agenor's involvement in such a wide variety of matters derives from the principal task that Collor gave him, namely to demand—in the name of the president—an explanation for the delays and shortcomings of Collor's cabinet ministers and other aides. In this capacity he has made a number of enemies within the government, including INSS Director Arnaldo Rossi—who has already complained that Agenor "dismantled a competent and honest team in the Social Welfare Ministry"—and Presidential Spokesman Claudio Humberto.

Actually, Gen. Agenor Homem de Carvalho was not the first person considered by Collor for the post of Chief of the Military Household. His name had been on a list of four submitted to the president. Collor had initially seemed more inclined toward General Murilo Tavares, but the fact that Murilo was from Maranhao and a friend—although not a close friend—of former President Jose Sarney caused the president to change his mind.

With the backing of two influential sponsors—Army Minister Carlos Tinoco and his predecessor Leonidas Pires Goncalves, whom he served as chief aide during the first three years of the Sarney administration—Agenor eventually got the job.

The general had several times been at the head of his class at the military academies he attended, but that fact weighed less in the balance than the report the ministers made of Agenor's relations with the civilian authorities at the most recent command he had held: that of the 11th Artillery Brigade in Campinas.

In Campinas, despite the fact that he was an outspoken anticommunist, Agenor maintained excellent relations with the city's mayor, Jaco Bittar of the PT [Workers Party]. This was because of an attribute of Agenor's temperament: he is extremely personable and polite, even when saying the most unpleasant things.

Accordingly, when Collor met with Bittar—the first PT politician to meet with the president—in September of last year, Agenor had already smoothed the way. The general reportedly also had a hand in arranging two other important political meetings: the one that made Senator Jarbas Passarinho minister of justice and the one that brought Fernando Collor and Senator Jose Sarney (PMDB—AP [Brazilian Democratic Movement Party-Amapa]) together last month at Rancho San Jose do Pericuma.

Early Start on Demanding Ministerial Explanations

Brasilia—On a white sheet of official stationery stamped "confidential," Gen. Agenor Homem do Carvalho notes all instructions issued by President Fernando Collor and begins his marathon demands for explanations from the cabinet ministries. Each case merits a separate sheet on

which the two components—the demands for explanations and the responses—are set forth in notes that are precise and well organized. Everything goes into the general's personal files.

For the chief of the military household of the Presidency of the Republic, the day's routine begins quite early and does not stop with the weekend. President Collor has already arrived at Planalto Palace with the newspaper clippings duly marked. During their meeting at 0900 the president hands the general his instructions, and the demands for explanations begin immediately.

Only in special cases does Agenor send documents. The instrument he uses is in fact the telephone. Assisted by several aides (colonels and majors), between 1000 and noon the general is busy telephoning cabinet ministers, national secretaries, executive secretaries, or chief administrative assistants, transmitting the president's demands for explanations. The response, he explains in each case, must be made before 1230, because that is the time he returns to the office with the president and amid complete privacy submits the responses.

This tight schedule has come to annoy some cabinet ministers, often because they had not been aware of the newspaper story in question and are not well informed on the subject at hand. This occurred once in the case of former Infrastructure Minister Ozires Silva.

"President Collor wants to know if it is true that the anniversary of Petrobras [Brazilian Petroleum Corporation] was celebrated by its president Mota Veiga with a luncheon for the former presidents of the enterprise, and that the luncheon cost as much as press reports are alleging," the general demanded to know. Agenor later received a telephone call from Ozires confirming that the commemorative function celebrating Petrobras' anniversary had in fact taken place.

* Orbita To Close on Completing Current Project

91SM0309B Rio de Janeiro O GLOBO in Portuguese 28 Apr 91 p 54

[Text] Sao Jose dos Campos—Embraer [Brazilian Aeronautics Company] will close its subsidiary Orbita Aerospace Systems, an enterprise formed four years ago to produce missiles for the Air Force and the Army. The creation of the enterprise was heralded by its principal partners as the "future Brazilian NASA," because it would administer the Alcantara Space Center in Maranhao and would also have installations for the production of as many as 50,000 missiles per year.

The decision to close Orbita Aerospace Systems was made by the Ministry of Aeronautics, but liquidation of the enterprise will be possible only after Orbita fulfills the final part of a contract to develop projects for MAF [expansion not given] antitank missiles—based on Italian technology—that was signed with the Army. These projects relate to the nationalization of components and systems and are destined for the Army Technological Center, which will continue development of the weapon pursuant to contracts signed with the Italian group Oto Melara.

Orbita Aerospace Systems has fewer than 20 employees. It is headed by the current superintendent of Embraer, Joao Rodrigues da Cunha Neto, and most of its installations are used to store scrap metal from aircraft and tools of the aeronautics industry. Last year the enterprise reported a loss of 1.7 billion cruzeiros, according to balance sheets published yesterday. Embraer currently holds 99 percent of Orbita's stock, but when Orbita was created—on 30 January 1987—40 percent of its stock was held by ENGESA [Specialized Engineers, Inc.], 12 percent by IMBEL [War Materiel Industry], 4 percent by ESCA [Control and Automation Engineering and Services], 4 percent by PARCON [expansion not given], and the remaining 40 percent by Embraer.

* Increase in Agricultural Production Seen

91SM0309D Sao Paulo O ESTADO DE SAO PAULO in Portuguese (Economic Section) 23 Apr 91 p 5

[Text] Rio—Brazil's agricultural production this year is expected to be 2.8 percent greater than last year's, with a harvest of 57.7 million tons, according to a forecast publ shed yesterday by the Brazilian Institute of Geography and Statistics (IBGE). Since last month the IBGE has been recording increases in the harvest of at least half of the products surveyed.

The production of beans—which had disappeared from the market—increased by 36.88 percent over the figure for the same period of last year, while the increase in the case of cotton was 4.45 percent, rice 28.82 percent, sugarcane 1.59 percent, cassava 3.59 percent, and corn 14.61 percent.

Six crops recorded performances that were below those obtained in March 1990: soybeans, down 22.28 percent; Irish potatoes of the first crop, down 7.43 percent; coffee, down 0.44 percent; onions, down 0.83 percent; oranges, down 0.25 percent, and tomatoes, down 1.45 percent.

Agricultural production in March also recorded decreases by comparison with the previous month. The soybean crop was down 13.23 percent, and the corn crop down 7.55 percent, as a result of the drought in Parana and Rio Grande do Sul. A similar negative performance was recorded for the herbaceous cotton crop (down 7.54 percent) and rice (down 1.57 percent). The coffee crop recorded an increase of 3.56 percent, however, and the first bean crop a slight increase of 1.96 percent.

The monthly IBGE survey of animal slaughter and milk production showed an increase in the activities of the livestock sector in February. Milk production increased by 10.3 percent, while the slaughter of cattle increased by 10.4 percent, of swine by 8.7 percent, and of poultry by 8.2 percent. According to the IBGE, this performance

confirms the resumption of the growth of the sector that began last year. These products and their by-products, as well as eggs, experienced a 5.4 percent rise in prices despite the price freeze.

Colombia

Talks Begin, Government Presents Four-Point Plan

PA0406040591 Bogota Inravision Television Cadena 1 in Spanish 0100 GMT 4 Jun 91

[Text] The anticipated talks between the Colombian Government and the Simon Bolivar Guerrilla Coordinating Board [CGSB] have started in Caracas. Government Minister Humberto de la Calle Lombana, who opened the meeting, made important announcements, which we can summarize in four points.

1. The government is willing to establish a cease-fire provided the guerrillas are also willing.

2. The government is willing to devise new formulas so the rebels can participate in the Constituent Assembly.

3. The government is willing to work out formulas so the guerrillas can return to civilian life.

4. These formulas would work provided the objective of the talks is short- or long-term demobilization.

One curious detail remains: At the onset of the meeting this afternoon, the minister invited the most recalcitrant guerrilla delegate, the one from the ELN [National Liberation Army], to occupy a seat next to him. The ELN delegate, in turn, ceded the chair to the FARC [Revolutionary Armed Forces of Colombia] delegate.

Minister de la Calle Lombana had a card up his sleeve in Caracas today, which he revealed while seated with the guerrilla leaders. In his speech, the minister announced a four-point proposal. The first point refers to a cease-fire that might lead to detente and would put an end to kidnappings, intimidating notes, and extortion. In the second point, the minister asked to establish clear-cut, precise, and honest rules to conduct the present negotiations with the guerrillas. The third point refers to the return to civilian life which, according to the government, should be different from the other processes that have taken place in Colombia. The minister said he is willing to consider various formulas, both economic and social, for this return. In the fourth point, the minister spoke of demobilization, which he said should be the climax to the accords and the conclusion of a negotiated solution to the armed conflict in Colombia.

[Begin de la Calle recording] The government is not raising obstacles but pointing out that the participation in the Assembly should lead to peace. This participation should be more than a simple instrument of war. We want to talk peace, not extend war. [end recording]

Meanwhile, the CGSB admitted in Caracas today that it has been kidnapping cattlemen and influential businessmen as a ploy to maintain its various fronts. The guerrillas affirmed that they are not willing to stop their armed actions in the country or establish a unilateral cease-fire. The guerrillas said this will not be a short-term process and that, if the harassment and military operations against them continue, they will respond in kind.

[Begin FARC delegate Alfonso Cano recording] We might start to discuss topics such as paramilitarism, the state of siege, human rights, and the treatment of the civilian population during armed actions. The purpose of our presence in Caracas is to develop our principles in the negotiations to establish democracy and social justice in Colombia. No other factors have influenced our decision. We are not tired or militarily weak. [end recording]

In addition, the guerrillas have already requested to be admitted into the Constituent Assembly.

Possible Agenda Noted

PA0406040491 Bogota EL NUEVO SIGLO in Spanish 22 May 91 p 9

[Text] There is no telling what may happen on 1 June when the government and the Simon Bolivar Guerrilla Coordinating Board [CGSB] commissions meet again.

The worse thing that could happen would be if both sides do not reach any agreement and, after holding long hours, even days, of discussions, they decide to withdraw from the negotiations.

The best thing that could happen would be if white smoke emerges from the talks, both commissions agree on their positions, and the CGSB, after three decades of armed struggle, decides to return to civilian life.

In Caracas, as opposed to Cravo Norte, where we knew exactly why both commissions were meeting, there will be no limits to the topics being discussed, therefore the results will be unpredictable.

The Four Topics of the CGSB

Even though there is speculation as to the final outcome of the talks, the same cannot be said of the topics that will be presented by both commissions at the negotiating table.

The CGSB, for example, will basically insist on four points: human rights, its participation in the National Constituent Assembly, conditions that will allow an end to the current armed conflict, and the conditions necessary to continue the talks in Colombia.

As for the first point, the CGSB will insist on three particular aspects: the government's ratification of Geneva Protocols I and II, the suspension of the Armed

Forces' bombings of civilians in areas of conflict, and legal status for 520 CGSB political prisoners in various prisons across the country.

The other topic that would be discussed by the CGSB delegates would be the return of prisoners they are holding. According to the CGSB, however, that will not be necessary because all of them have been released in the last 15 days.

The second point to be discussed, its participation in the Constituent Assembly, is a priority issue for the CGSB.

The initial discussions will be centered on the number of CGSB delegates to the Constituent Assembly. The rebels' hope to have 20 seats in the Assembly has been ruled out, as Manuel Marulanda, chief of the Revolutionary Armed Forces of Colombia (FARC), has said.

Apparently, the CGSB wants to have two delegates for each subversive movement.

There would be a total of six representatives, four more than the Popular Liberation Army (EPL), and the other demobilized groups, the PRT [Revolutionary Workers Party] and the Quintin Lame, each of which has two voting delegates.

Beside the six voting delegates, the CGSB intends to be a part of the political agreement, which will allow for the subsequent development of the Constituent Assembly and the implementation of the new course [carta de navegacion] the country will follow over the next few years.

A third topic that will be discussed by the CGSB, regarding its participation in the Constituent Assembly, will be the new territorial boundaries.

In this regard, the CGSB will decide on the extent of the special divisions for congress and the local governments in case this last point is approved by the Constituent Assembly.

The third big point to be discussed by the CGSB in Caracas will be the definition of the conditions that could allow both sides to put an end to the armed conflict, which peace adviser Jesus Bejarano refers to as a detente in the elements of violence. This is perhaps one of the most delicate points to be discussed in Caracas.

The CGSB will present a very particular form of demobilization: Instead of relinquishing its weapons, like was done by the M-19 [19 April Movement], EPL, PRT, and Quintin Lame rebel groups, the CGSB will turn over armed men rather than weapons.

Contrary to what was done by the other subversive groups, which disarmed their men so they could be re-educated and return to civilian life, the CGSB will propose the social assimilation of its men without relinquishing their weapons. Some of the possibilities discussed until now include a recognition of the CGSB's power in certain regions of the country, even the assimilation of former guerrilla fighters by the Armed Forces.

The last point is the implementation of several conditions that will allow a continuation of the peace dialogue.

One of the conditions would be a bilateral cease-fire. Everything seems to indicate that once the talks start in Caracas, the two parties will suspend their actions: anti-terrorist actions in the case of the Armed Forces, and terrorist actions in the case of the CGSB.

The site of the new talks in Colombia will also be discussed. The CGSB will apparently propose two places: Cucuta and Villa del Rosario.

Army Presence Viewed

PA0306154791 Bogota Inravision Television Cadena 2 in Spanish 0013 GMT 3 Jun 91

[Text] Defense Minister General Oscar Botero Restrepo did not rule out the possibility that the military will participate in the dialogue process with the Simon Bolivar National Guerrilla Coordinating Board. The minister seemed to be repeating the statement made by President Gaviria during today's ceremony marking the anniversary of the Jose Maria Cordoba Cadets School, where he called on the Armed Forces to allow the creation of a pluralist Colombia with respect and tolerance.

[Begin Botero recording] It is felt that the presence of a military authority is not advisable. If, however, it is deemed necessary at some point, we would have to study who must represent the military institution. [end recording]

Gen. Botero also said that operations against the Revolutionary Armed Forces of Colombia and the Army of National Liberation will continue, and that bringing them to a halt depends on agreements that may be reached in Caracas.

Extradition Request for Drug Trafficker Denied

PA0306214791 Bogota EL NUEVO SIGLO in Spanish 30 May 91 p 6

[Text] The Colombian Government decided to revoke the extradition order against confirmed drug trafficker Jairo Correa Alzate. The resolution, which modifies the initial executive decision, is pending the signature of President Cesar Gaviria. The announcement was made by lawyer Gustavo Salazar Pineda, representative of Correa Alzate, who said that the government, in accordance with its decision not to extradite drug traffickers who surrender to Colombian officials, decided to refuse a request made by U.S. judicial authorities.

Ecuador

* Castillo on National Liberation Party Goals

91SM0311B Quito HOY in Spanish 29 Apr 91 p 5A

[Text] At the close of its first congress held during the past weekend the National Liberation Party [Liberacion Nacional—LN] adopted a program including the following points: the formation of a democratic front for the next elections, the need to change the political system in Ecuador, and the promotion of a doctrine for the defense of national sovereignty.

Unity Front

Alfredo Castillo, secretary general of LN, said that his party has become convinced that an electoral front should be organized to unite the parties which believe that a new political force should be established to make it possible to deal with the serious problems affecting the people.

Castillo, who was re-elected secretary general of LN, emphasized that Ecuador needs to change its political system to create major, pluralistic movements in order to organize a new kind of government.

He also said that it is necessary to promote a doctrine for the defense of national sovereignty to serve as a guide for all organizations in the country. He also warned about the urgent need to restore ecological systems and to put an end to speculation.

Furthermore, Castillo stated that it is essential to promote the restructuring of the Ecuadorian state since the way in which its functions are organized provides evidence of rigidity and inefficiency.

* Duran Supporters Seek To Form Political Party

91SM0311A Quito EL COMERCIO in Spanish 7 May 91 p A3

[Text] A campaign has begun to collect signatures for the formation of the political party which will support the presidential candidacy of Sixto Duran Ballen, the former mayor of Quito.

The collection of signatures will make it possible to make "Unidad Republicana" [Republican Unity], the new party, a reality. The party will be led by Duran Ballen, his sympathizers explained.

Jacinto Velasquez, the former deputy and social christian activist, said that it is intended to mobilize popular feelings and put an end to the old style of playing politics, as well as violence, hatred, calumny, and engaging in political attacks.

He said that Duran Ballen is identified with the consensus approach to problem solving by a sensible and balanced president who has the statesmanlike characteristics which the country needs.

The organizers of the signatures collection campaign hope to collect the voters' registration cards during May and June and turn over to the Supreme Electoral Tribunal by the beginning of July all of the documentation needed to establish the new party.

Velasquez said: "We hope to meet all of the requirements by August, at the latest, so that the electoral tribunal will complete its work in a short time and in accordance with the law."

He said that if the new party being formed is not legally approved as soon as required under the circumstances, Duran Ballen will immediately join a political party which is identified with his principles, "not because he necessarily agrees with such a group but simply to meet constitutional and legal requirements."

Nevertheless, he considered that the new political party is now in existence.

The following persons are acting as coordinators of this program: Mauricio Gandara Gallegos, Luis Eladio Proano, Alfredo Crespo, Marcelo Fernandez, and Pablo Baquerizo, among others.

Meanwhile, Duran Ballen continues with his work in Bahia. However, he is faced with several dilemmas since he announced his candidacy to be president of Ecuador.

The final decision of the former mayor is awaited with interest by several political groups, since his presence or absence from the campaign will unquestionably have repercussions on several of them.

He has virtually but not definitively chosen to participate in the campaign. That is, he has decided in his own mind to run. However, according to some political observers, to get his candidacy moving, he must come out in public at some point and say that he will be a wholehearted candidate.

* Creation of 'New Democratic Movement' Announced

91SM0311C Guayaquil EL UNIVERSO in Spanish 21 Apr 91 p 12

[Excerpts] Quito—Representatives of various political groups have decided to establish a new political movement, called "Nueva Democracia" [New Democratic Movement]. At the same time they announced its ideological and doctrinal principles.

The new political movement was basically promoted by dissident members of the "People's Democratic Movement" [Democracia Popular]. They were led by Julio Cesar Trujillo, whom they elected chairman of the Political Committee of the new movement.

One of the organizers of the new grouping said: "The New Democratic Movement repudiates political parties and electoral machines, which are the antithesis of democracy."

The Delegates

At the initial meeting of the new party those present welcomed, among others, Alfredo Castillo, of the National Liberation Party; Alejandro Roman Armendariz, of the People's Party; Milton Burbano Bohorquez, of the Socialist Party; and General Rene Vargas Pazos, of the Humanist Movement.

The following officials of the convention were elected: Julio Cesar Trujillo, president; Marco Lucio Munoz, Perfecto Vivero, Oswaldo Aviles, Patricio Mena, and Ernesto Tutillo, vice presidents; Pablo Enriquez, secretary; and Zonnia Miranda, deputy secretary.

Delegates attended from the provinces of Carchi, Imbabura, Pichincha, Cotopaxi, Tungurahua, Bolivar, Canar, Azuay, Loja, Esmeraldas, Manabi, Guayas, Los Rios, El Oro, Napo, Morona, and Zamora Chinchipe were registered. [passage omitted]

Objectives of the Movement

The New Democratic Movement proposes the total restructuring of the state so that, in accordance with the needs of the present and the character of our people, it will be the political instrument which Ecuadorian society has needed since the foundation of the republic. Its objectives are to promote economic development, social progress, and the true independence of the country from internal and external interest groups which seek to subordinate it to their convenience.

Conflicting Views on Labor Issues Presented

PY0605115D Quito HOY in Spanish 5 May 91 p 2-6

[Article by Diego Torres Hadatty]

[Excerpts] There has not been and perhaps never will be agreement on labor questions. Each group, whether the private sector or the workers, has made a different report to the president, on possible changes in labor legislation.

The requests of the workers and of the employers have already been made public, and the two positions are absolutely opposed to each other. [passage omitted]

What the Workers Want

The workers want the following:

- Permanent job stability. That is, the employer cannot terminate a worker's job dismissal without notice but only with the approval of the Ministry of Labor.
- Elimination of parallel trade unions. That is, there should be a single trade union for each institution in the public sector. Industry wide trade unions should be set up in the private sector.
- Checking to make sure that companies are not liquidated in a fraudulent way but rather with the participation of the workers.
- Reaching collective bargaining agreements by branch of work.
- Regarding labor conflicts, preventing lists of grievances from being filed illegally. The Conciliation and Arbitration Court should be presided over by a doctor in jurisprudence.
- Industry wide strikes can be declared, and central trade union organizations will have the authority to call strikes in cases where companies are closed down, where there are dismissals without notice, or where the machinery and goods of a given company are moved.
- Regarding retirement, it is proposed that if the worker retires before he has worked for 25 years, he should receive what he has accumulated in the pension fund for his years of service.

What Employers Want

Employers want the following:

- The proposal of the private sector includes preserving dismissals without notice. However, it is provided that in such cases an indemnity will be paid, depending on the number of years worked, with an equal value assigned to each year.
- Collective bargaining should involve a decision reached by consensus between the parties. A tripartite tribunal would be empowered to settle a conflict in order to avoid the excessive concentration of power in the hands of labor leaders.
- It is proposed that the power to fix a minimum wage should be turned over to a National Salaries Council.
- It is pointed out that it will be necessary to regulate certain forms of work, such as seasonal and casual labor, as well as hazardous work.
- In the view of the employers it is necessary to change the provisions which determine the minimum number of members of a trade union organization by raising the lowest figure.
- Changes of a procedural nature are also proposed to ensure expeditious handling of labor disputes.
- Regarding strikes, the employers point out that this is one of the workers' rights. However, excesses should be avoided, such as sympathy strikes.

Peru

Police Capture 'Important' MRTA Leaders

PY0306213891 Lima RTP Television Network in Spanish 1800 GMT 3 Jun 91

[Text] Daniel Espichan, government attorney for terrorism cases, has reported the capture of important MRTA [Tupac Amaru Revolutionary Movement] leaders during a surprise operation carried out in various districts of our capital. Alberto Galvez Olaechea and Rosa Luz Padilla are among the detainees.

More than 20 MRTA terrorists have been captured thus far in operations carried out by the Counterterrorism

Division, Dircote, in Pueblo Libre, Marbella, Independencia, and Brena Districts and at the Engineering and San Marcos Universities.

Alberto Galvez Olaechea, who is also known as Luis Eduardo Rueda Solis, Ernesto Sanchez Lopez, and Miguel Rodriguez Cano, is among the detainees. He is believed to be the deputy of Victor Polay Campos, who was the leader for MRTA bases in Lima and who, on 21 August 1987, was sentenced by Lima Superior Court's 11th Correctional Court to a 12-year prison term for terrorism and forgery. It has been reported that Galvez' record is over 2,000 pages.

Rosa Luz Padilla was also captured. She is still Victor Polay Campos' lover. Padilla and Campos escaped from the Castro Penitentiary through a tunnel. It has also been reported—although it has not yet been confirmed—that Lucero Cumpa Miranda was also captured.

The operations were carried out in strict secrecy, especially those in Brena and Pueblo Libre Districts at 137 Coraceros Street and 104 Santa Marta Street, where Raquel Torres Pacheco, Olga Vasquez Varela, Jacinto Morales Cajas, Jose Wildredo Pacheco, Anibal Apari Sanchez, and other MRTA leaders were also detained. All or nearly all of these people are high-ranking MRTA leaders.

The detainees are being held at Dircote cells in the Lima Prefecture, where they will remain for two weeks. Later, they will be transferred to the Castro Penitentiary in Cantogrande and then they will be placed at the disposal of the Judicial Branch pending investigations into this case.

[Begin recording] [Espichan] There is a large number of detainees. Perhaps the police are already releasing their names to the press. I understand that there are several detainees, including the ones you have mentioned.

[Unidentified reporter] Mr. Galvez Olaechea is believed to be a high-ranking MRTA leaders. Does he have a big record?

[Espichan] Well now, it is a very sizable record. He was sentenced by the 11th Correctional Court to a 12-year prison term in 1988 and he would have served this prison term until August 1999, more or less. This sentence was upheld by the Supreme Court. He was serving his prison term when he escaped.

[Reporter] What about Rosa Luz Padilla?

[Espichan] As everyone knows, she, along with her codefendant Victor Polay Campos, were being tried in a public hearing. The proceedings were interrupted when she escaped. Now that she has been recaptured, she will have to be placed at the disposal of the 12th Correctional Court, which was hearing her case. [end recording]

Car Bomb Deactivated at Jorge Chavez Airport

PY0406144891 Lima Radio Nacional del Peru Pachacutec Network in Spanish 1200 GMT 4 Jun 91

[Report by Officer Ana Cecilia Jaco of the Security Police]

[Text] A car bomb was deactivated yesterday by members of the Explosives Deactivation Unit at Jorge Chavez International Aiport. The three terrorists who were inside the car fled toward Bocanegra District in the port of El Callao, after they were spotted by the police guarding the airport.

Police Use Water Cannon To Repress Teachers

PY3105171991 Lima Radio Nacional del Peru Pachacutec Network in Spanish 1200 GMT 31 May 91

[Text] Hundreds of teachers, members of the Sutep [Trade Union of Education Workers], were violently repressed by the police as they arrived at the Lima parade ground. The teachers were headed by Sutep Secretary General Jose Ramos and several congressmen. They were going to the parade ground to express their disagreement over the probable 30-percent increase granted to teachers. The forces of order dispersed them with water cannons and tear gas grenades.

The National Police (?claimed) that the teachers were (?causing) disturbances on the premises of the Government Palace. Leader Ramos today harshly criticized the police forces for the repression and detention of teachers.

Fujimori on 'Incidents' at Chamber of Deputies

PY0406005591 Madrid EFE in Spanish 0201 GMT 2 Jun 91

[Text] Lima, 1 Jun (EFE)—Today, Peruvian President Alberto Fujimori criticized the behavior of some deputies who, yesterday, at the close of the congressional session, staged what the local press has called "embarrassing incidents."

Fujimori said the basis of democracy "is civilized dialogue, not affront" which "harms the good image that is essential for the functioning of Congress."

Chamber of Deputies President Victor Paredes, of the ruling "Change 90" movement, called upon his colleagues to consider how to prevent "us from murdering democracy," unless that is "what some want for our bleeding country," referring to the subversive threat.

During the past 24 hours, the Peruvian Chamber of Deputies has been the scene of insults, aggression, threats, and several motions of censure against the presidents of the assembly.

Victor Paredes and his deputy Wilfredo Alvarez, both from "Change 90," were censured and the assembly was

chaired by Victor Andres Garcia Belaunde of the center-rightist "Popular Action." He too was also removed by a motion.

"Popular Action" representative Eduardo Calmell assumed the presidency of the last session during which, instead of debates, the deputies engaged in insults and aggression.

Extreme leftist Deputy Ricardo Letts wrote on a wall in the Chamber of Deputies a slogan which said that it is the government's duty to defend human rights.

During the last session, a fight prevented the discussion on the charges brought against former President Alan Garcia, who has been accused by an investigative committee of embezzlement during his administration (1985-90).

Deputy Jorge del Castillo of the "American Popular Revolutionary Alliance (APRA)," Alan Garcia's party, erected a big sign in the chamber which showed evidence that contradicts the accusations that the former president has dollar accounts abroad.

Independent Deputy Fernando Olivera, president of the investigating committee, then showed a film of the houses owned by Garcia in Lima, and this unleashed the violence.

Former President Garcia later issued a brief communique stating that "(the deputies) did not have the courage to make a decision, and withdrew on seeing the documents that disprove the lies against him."

His case will now be reviewed during the next congressional session in August. Interior Minister Victor Malca, who was summoned to the session to explain to the Chamber of Deputies a police attack on some leftist deputies, decided to leave the session.

Later, when things settled down, Malca conveyed his "sincere apology" to the Chamber of Deputies.

Congressmen have admitted that the legislative session that ended so abruptly yesterday, was "unproductive."

Superintendency of Banks Closed for Reorganization

PY3005233491 Lima Radio Nacional del Peru Pachacutec Network in Spanish 1200 GMT 29 May 91

[Text] The Superintendency of Banks and Insurance has been declared in state of reorganization between today and 31 December 1991. According to the resolution, the Board of Directors will be reorganized, and the number of personnel will be reviewed during this period.

Venezuela

* State of Commercial, Service Sectors Reviewed

91SM0312B Caracas NUMERO in Spanish 12 May 91 pp 14-16

[Article by Carlos Gonzalez Saavedra: "Big and Cumbersome"; first paragraph is introduction]

[Text] Commerce and services generate 49 percent of the GDP, but in general little is being done to shape these important activities to the new dynamics of the national and international market.

At the recent Annual Assembly of Consecomercio [National Council of Commerce and Services], the Minister of Development, Imelda Cisneros, showed that she is no friend to euphemisms or other linguistic meanderings: "In Venezuela," she said, "our commerce and services have a low level of competitiveness and, what is even worse, while in other sectors we are now beginning to observe some movement toward a search for quality and international competitiveness, in the commercial and service sectors the structure remains unchanged, and at times it would seem to show little prospects for change." In response to such a charge, many people attending the conference felt they had no recourse left but to hang their head in silence.

The day before this speech, the marketing and supply division of the Ministry of Development had completed an analysis of Venezuelan commerce and services which, in addition to pointing out the sector's weaknesses, proposed measures to modernize it. In Maracaibo, in the heat of the 21st Assembly of Consecomercio, the business association representing commerce and services accepted the public sector's observations and pledged to commit their member associations to engage in brainstorming sessions from which ideas and specific actions may emerge to promote greater efficiency. Particular interest was shown in the case of the Lara Chamber of Commerce which maintains an office in the state capital's offices to accelerate the issuing of commercial licenses; these are delivered in just one month, while in the rest of Venezuela this process takes eight months.

In the capital of Zulia state [Maracaibo] NUMERO spoke with Jose Manuel Rodriguez, the head of the division which prepared the development report, and obtained some data illustrating the importance of the tertiary [service] sector in Venezuela's economy.

Almost half (49 percent) of the Gross Domestic Product is generated by commerce and services. This figure is divided into: 16 percent for commerce and transportation, 10 percent for the government, and 23 percent for other services. This sector also has a relative incidence of 44 percent on the prices of goods which are bought and sold; that is, almost half of the final price which the consumer pays is generated by the retail and wholesale trade, transport and storage costs.

"In comparing variations in the GDF for the commerce-transport sector with the production sector (agriculture and manufacturing)," said Rodriguez, "we find that in 1988 the first sector grew a little more (5.9 percent vs. 4 percent), but in 1989 it fell drastically, and in 1990 both had a similar growth rate of about 3.3 percent. This sharper decline than in production indicates that, on one hand, imports were down sharply, and this forms part of the margins which are the gross value of the production of commerce, and on the other, that relative margins declined due to the shrinkage in sales."

Sixty-four percent of the Venezuelan people who are employed work in commercial and service activities, and the level of unemployment in this sector (8 percent) is below the national average. Of each 100 people who work in this field of economic activity, 27 work for the government, 26 work in commerce, 20 are doctors, educators, or provide other similar services, 10 work in banks, nine in transportation and communications, and eight work in hotels and restaurants.

Covered by the PVP [expansion unknown]

But this sector's importance is also illustrated by the impact which these activities have on the final price of goods which are bought and sold. Even though consumer complaints usually concern items such as meats, oil, chicken, etc., where people believe there are higher profits due to the length of the marketing chain, the development studies demonstrate the contrary to be true. The most lucrative activities, which generate profit margins exceeding 50 percent, are sales of automotive parts, medical products, hardware items, clothing and books. There are two possible explanations for this phenomenon: in the first three categories, there is an extremely high variety of products which require large inventories, but at the same time these sectors engage in some very definite anticompetitive practices, due to the existence of exclusive sales representatives.

Each brand of hardware or medical product or automotive spare parts has a single representative in Venezuela. 15 years ago the Consumer Protection Agency allowed them, instead of marking the PVP on each product (which is very difficult because of the nature of these products) to publish a price list once a year. To make up this list, the exclusive product representatives sit down in their offices and discuss prices, case by case; then they all compete, not to put on the lowest PVP, but instead to get the highest profit margin.

"In Venezuela," commented Jose Manuel Rodriguez, there are about 25,000 hardware dealers, more than 10,000 dealers in automotive spare parts, and over 1,000 sales outlets for medical products; and all of them are caught in a vicious circle: the producer or importer is the one who sets the PVP, and none of them can lower the wholesaler's or retailer's margins, for if they do so, people do not buy from them, so they all compete to see will have the highest margin, and in this way they reach very high profit levels (over 50 percent). Venezuela's harsh economic harsh adjustment program should have caused many spare parts dealers and hardware stores to fail, but it did not, for this very reason: they increased their margins, covered by the PVP."

According to Rodriguez, in times of crisis the commercial sector gains negotiating power in comparison with producers because their problem is putting merchandise in their display cases; merchants have to reduce their inventories to keep up their product turnover. A merchant who used to turn over his merchandise three times a year and sold with a profit margin of 20 percent is now left with half at the end of the year, for even though his margins may increase to 30 percent, he can only turn over his merchandise once a year. Profits in Venezuela, like the end of the year gross margins, have declined; but the immediate margin has risen.

"In 1990," said Rodriguez, "we observed in increase in retailers' margins (in relation to the manufactured goods price index) of 26 percent, while the wholesale price index was only 18 percent. This eight-point different between the two margins is the inflation generated by retailers. Something happened to make this possible and it is, as I said before, the strong contraction in sales (decline in turnover), to which is added overhead costs; an 18 percent interest rate is not the same as one close to 40 percent, for a merchant is something like a bank; he handles goods but his goods are money, and his business is rotating this money in the form of a product. If the interest rate rises, he is forced to turn over more to meet his overhead costs. If these factors are what is really affecting the situation, we will begin to see a decline in margins over the years if interest rates decline and sales improve."

Incidence of Major Factors in Final Price of Products Bought and Sold (1990)

Manufacturing Industry	Agriculture	Retail Trade	Wholesale Trade	Transportation	Storage
40.4%	16.0%	21.5%	10.1%	11.7%	0.3%

Source: BCV [Central Bank of Venezuela] - Ministry of Development.

Peaceful Coexistence

Unlike what happens with sales of products like spare parts, hardware, or clothing, in food products the cost structure is not very homogenous. Two clearly distinguishable levels coexist: small shops which handle over 80 percent of food sales and whose profit margins range

between 25 and 30 percent, and supermarkets which, despite their economies of scale (they offer an infinity of products at a single site) and their lower margin (20 percent), are unable to attract the bulk of the population. That is why chains like Cada, Central Madeirense, Victoria, Don Sancho and Tia are not forced to become more efficient and competitive with each other. They simply maintain their profit margin, five times higher than in Europe, and wait for customers to move from the smaller shops in search of better prices.

The Ministry of Development has also spotted some other weaknesses in the commerce-service sector; in general, it is highly scattered, with a large predomination of the traditional sector, small retailers and informality; the development of new forms of marketing such as warehouses, discount stores, and franchises (companies which offer technical assistance, marketing and publicity services to many retailers, so that they can maintain the competitive advantage of a large chain or hypermarket) is essentially just getting started, and little use has been made of high-tech devices like scanners, computers to manage sales, purchasing and inventories, etc. From an economic point of view, the salaries paid by the sector in 1990 were 4 percent lower than in 1989, and 39 percent lower than in 1984.

* AD Internal Machinations, Strategies Viewed

91SM0307A Caracas EL DIARIO DE CARACAS in Spanish 23 Apr 91 p 26

[Article by Clodovaldo Hernandez and Orlando Utrera: "AD Orthodoxy Moves Toward Victory"; first paragraph is EL DIARIO DE CARACAS introduction]

[Text] With his characteristic shrewdness, AD [Democratic Action] organizational secretary Luis Alfaro Ucero has made the most of the first four months of the year to corner the so-called renewers, presenting a formula that includes natural orthodox individuals and figures from the pro-Perez periphery.

As we move well into 1991, the complex internal picture in the AD is gradually becoming clearer with the emergence of a definite trend toward so-called orthodoxy, which embraces a whole range of factions under the silent leadership of organizational secretary Luis Alfaro Ucero.

The coalition, one of whose essential components is "Lusinchismo," appears to be bent on dealing President Carlos Andres Perez's faction a historic defeat even though he is only halfway through the third year of his administration.

This internal defeat would force Perez's government to yield to demands for greater participation made by other party leaders since the very beginning of the five-year term. The president, who distinguished himself during his first term (1974-1979) as a social democrat with strong state control leanings, returned to power with precisely the opposite bent and named a cabinet mainly made up of nonpartisan figures who were promoters of or sympathizers with the neoliberal ideas in vogue.

As the end of the fourth month of the year draws to a close, the orthodoxy's strategy for beating the so-called renewers seems to have triumphed with devastating precision.

One obvious symptom of the victory is the fact that an "atmosphere" has begun to be created allowing the internal process to effectively materialize this year after a long recess.

Cards Hidden

A preliminary analysis of the effect of the internal struggle being waged in the AD leads one to point out that the orthodox strategy was originally based on maintaining the most absolute secrecy concerning names that would make up the sector's formula for electing officials.

While Alfaro Ucero et al "kept their cards hidden," the renewal hastened to present its team for the offices of party president and general secretary: Luis Pinerua Ordaz and Hector Alonso Lopez.

The early announcement turned out to be a disaster. Pinerua Ordaz, who backed a bitter struggle with Lusinchi supporters over the figure of Blanca Ibanez, could not reach any agreement with his slate and ended up losing ground as quickly as he had been named.

Pinerua Ordaz's withdrawal left Alonso Lopez as the only spokesman for formula XX, backed only by Antonio Ledezma. Both have been the target of countless challenges from orthodox leaders, who have succeeded in complicating their lives with petty intrapartisan controversies.

While the renewal proposal crumbled, the orthodox faction continued to put together the necessary backing to launch a slate with the participation of natural leaders of Alfarism and elements from the pro-Perez periphery.

The formula that gradually emerged is made up of Humberto Celli, currently secretary general, who will reportedly be nominated for the party presidency; Alfaro Ucero himself, who will supposedly run for the office of general secretary; Carlos Canache Mata, who has already thrown his hat in the ring for the 1993 presidential nomination; and Henry Ramos Allup, to whom leadership of the parliamentary faction has been entrusted.

Canache Mata, who effectively led the bench for 10 years, was one of the fundamental figures of Perezism in the internal process that culminated in October 1987 with Perez's election as the AD's presidential candidate.

Unlike Ramos Allup, Canache Mata did not leap the barrier to orthodoxy last year, when the procedure for the election of authorities was decided upon. At that time, the new head of the faction joined with the conservative faction backing second-degree elections. In the meantime, Canache Mata stayed as neutral as he could.

Now, as nomination of the candidate becomes more straightforward, the veteran eastern leader is beginning

to force the demarcation of boundaries, with the blessing of the boss in control of the AD machine.

Bureau Neutralized

From the very beginning, the renewers have admitted that the support of the powerful party Union Bureau could once again make the difference in the internal process, as has traditionally been the case in other confrontations over party posts and candidacies.

Nevertheless, in the course of 1991, other facts have caused the party's "official sector" to lose that backing. The government's confrontation with unionists has been marked by two events: the scandal in the Venezuelan Workers Bank (BTV) and the wage increase.

With respect to the BTV, Perez is accused of not doing all he could to save Antonio Rios, president of the Confederation of Venezuelan Workers (CTV), from the political censure inflicted on him by Congress after finding him responsible for influence peddling and abuse of his office. Nor did the president make the necessary moves to prevent the Supreme Court of Justice from encroaching upon the CTV leader's parliamentary immunity.

To further the distance between Perez supporters and the party's Trade Union Bureau, debate emerged on a general wage increase which the CTV sought to exploit after the BTV affair. Removing this proposal, the government continued to move ahead with a draft executive order contemplating increases substantially lower than those demanded by the labor confederation.

With the Trade Union Bureau neutralized and very possibly infiltrated by the tentacles of orthodoxy, the renewers' fate seems to have been decided.

Within that limited room to maneuver, the now solitary Alonso Lopez tried to rouse expectations around a charismatic outsider, Caracas Mayor Claudio Fermin. Nevertheless, in a quick and implacable decision, the orthodox faction crushed that possibility, ruling that mayors could intervene in the internal quarrel only if they resigned their posts.

Neo-Alfarists

Nor has the capture of cadres from the Perez camp and its periphery been limited to Canache Mata. Others have begun to move in on orthodox territory. One clear case is that of Pastor Heydra, who, after abandoning the ranks of the government, began a frontal assault to obtain the Alfarists' "forgiveness," taking advantage of the prominent position he occupied in the Dager-Jatar case.

Another case in point is that of Reinaldo Figueredo Planchart, who, some sources say, has gained the support of Alfaro Ucero for his aspirations to the office of secretary general of Miranda. Figueredo Planchart was one of President Perez's closest aides during his election campaign and subsequently became minister of the Secretariat and later foreign minister. It is claimed that he disagreed with the focus of the chief of state's foreign policy, which reportedly set off the process of his return to the internal party scene.

In the meantime, figures of great specific significance who had been neutral or merely waiting began to take sides. Such was the case of Carmelo Lauria, a reputed master of political strategy who has turned himself into the right hand of any AD government. He was a Perez supporter and a Lusinchi man who is now moving intelligently on the crest of the dominant faction's wave. He is frequently seen in the offices of Alfaro Ucero and also generally accompanies bench leader Ramos Allup. He seems to be the hidden man in party-government relations and many veteran observers do not rule out the possibility that within a few months, he will again be in Miraflores, advising a defeated president internally and forced to broaden his political base within his own organization.

Unknowns

On the internal scene, a few unknowns remain, mainly relating to the position to be adopted by certain leaders such as David Morales Bello, still wretched over his defeat on the National Executive Committee when he tried to be reelected to the presidency of the Congress. Morales Bello, Perez's campaign manager, went over to the orthodox camp but remained at odds, which could compromise his future aspirations as a candidate.

Nor does anyone know what will happen to Pinerua Ordaz, on whose shoulders responsibility for embodying the Perez option for the 1993 presidential nomination might fall. His name has also come up as an independent option, outside the party, a possibility not to be ruled out.

Any discussion of the future of the AD must take into account, as the prime factor, the direction in which that powerful bundle of factions led by the silent leadership of the orthodoxy leans.

[Box, p 26]

"Perez-ism" Not a Structure

President Perez's leadership has never had support within the AD, inasmuch as he himself has always projected himself more toward the "political country," to define it one way, than toward the partisan organization as such, now under the iron leadership of Luis Alfaro Ucero.

Former President Betancourt gave every opportunity possible to Perez, his trusted aide, putting him in the Ministry of Internal Relations during the current democracy's first term of government. However, when Perez got out from under Betancourt's wing and began his own first term, his difficulties in the AD began.

President Perez will leave Miraflores for Las Delicias and the CEN will stay in La Florida, resulting in a dual life between the boss and the machine, a term that began to take on meaning in the AD based on the assumption that it is the party that wins or loses elections and begins

to comprise the heart of the power struggle. Nevertheless, Perez repeated as the AD candidate and returned to Miraflores to inscribe his name as the first Venezuelan reelected under the democratic system.

Perez is basically a boss rather than a structure and consequently, Perez-ism cannot stand up to the apparatus being polished for years by Luis Alfaro Ucero, creating and undoing "isms" in order to strengthen a structure already in motion to face any contingency.

In contrast, Perez-ism has become complicated to the maximum, giving Pinerua the top seat and then taking it away. It cannot control Morales Bello and, to top it all off, fights with the Trade Union Bureau. The situation has become so critical that one sees the COPEI [Social Christian Party] more than the AD in palace politics. Its spokesmen have been reduced to Hector Alonso Lopez, who maintains a low profile, and Antonio Ledezma.

When one adds to this situation political decentralization, which is bobtailed but which means a transfer of power to governors and mayors, and the failure of the economic readjustment, with inflation already worse than during the five years of Lusinchi, one can only predict a defeat of this faction of the Democratic Action.

* Petroleum Exploration, Investment Liberalized

91SM0312A Caracas NUMERO in Spanish 12 May 91 p 17

[Article by Martin Garate: "The Court Has Spoken"]

[Text] In recent weeks we have had some significant news concerning the petroleum industry, some even of international interest.

The most important news is related to the Supreme Court's ruling on some legal issues that will govern the future of natural gas extraction and marketing in northern Paria, in LAGOVEN's [subsidiary of Venezuelan Petroleum, Inc.—PDVSA] Cristobal Colon Project, in which Shell, Exxon and Mitsubishi are involved.

This is an important decision as it establishes a precedent which could serve as the legal framework for other operations; after PDVSA has signed letters of intent with British Petroleum, Eni, Elf Aquitaine and Veba Oel, these companies could take part in petroleum exploration and extraction in the Orinoco.

What the Law Says

Foreign investors have said repeatedly that the existing laws are an impediment to such investment. Venezuelan businessmen have also made similar comments. Article 5 of the Nationalization Law which reserves the hydrocarbons industry and sales for the state is of particular importance. This legislation does not prohibit the participation of foreign capital in petroleum activities, but it does establish the ground rules. Of course, anyone has the right to consider such laws inimical to his interests. The second part of this article states that the prior approval of the National Congress shall be required for signing association contracts.

Operational Contracts and Associations

The Supreme Court decision establishes that among the Hydrocarbons Law of 1967 (a reformulation of all the preceding hydrocarbons laws, the first of which dates back to 1943), the law which reserves the natural gas industry for the state (1971) and the Nationalization Law (1975), the latter, and specifically its Article 5, shall take precedence.

The Court states that natural gas operations are an "indirect extraction", which is regulated by the Nationalization Law, as natural gas is a hydrocarbon. However, any contracts which the National Executive, acting through state-owned agencies (PDVSA and its subsidiaries) may sign are of an operational nature (first part of Article 5), and so do not need to be submitted for congressional approval.

What About Control?

On this aspect the CSJ [Supreme Court] did not issue a ruling. When it mentions control it refers to the stockholder. A stockholder has control when he holds at least 51 percent of the company, but Article 5 establishes that such control by stockholders must "...not in any way affect the very essence of these activities." So it seems that in the proposed association, with LAGOVEN holding 33 percent of the shares, the so-called veto clause will be put to great use, ensuring the state's legal control.

Tax Aspects

The Court offered no remedy to what international investors have been calling for from the Venezuelan state and the petroleum industry, a reduction in the 67 percent income tax rate paid on petroleum activity, or the application of the industrial activities tax rate, which ranges between 30 and 35 percent. So, even though a "fast track" has been found for the execution of the Cristobal Colon Project, any revenues arising from this project will, at least for the time being, be governed by the current Income Tax Law, in addition to being subject to other taxes, such as royalties which will have to be paid on natural gas production.

Beyond Gas

Another innovation now taking on some dynamism in the petroleum industry is bidding for the operation of what are known as marginal or inactive petroleum fields, by both Venezuelan private capital and foreign investors. No ruling was issued on this matter, and the proposed transfer of these fields, which contain about 350 million in proven crude reserves, is moving forward.